FINANCIAL TIMES

EU research policy

Radical overhaul required

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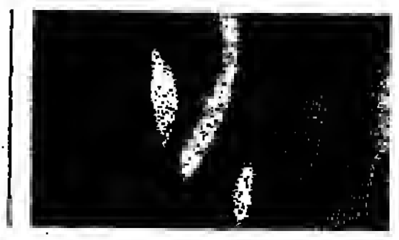

Ireland

Determined to be in the first wave

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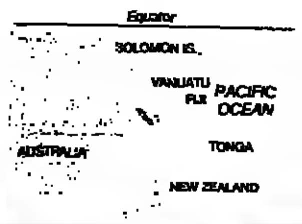

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Work ethic forced on the underclass

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World Business Newspaper http://www.FT.com TUESDAY APRIL 8 1997

Bankers Trust in $1.6bn US deal

Commercial and investment banks in record link-up

By Tracy Corrigan in New York

Bankers Trust, the US's seventh-largest bank, has agreed to buy Baltimore-based investment bank Alex. Brown in the largest acquisition of a US investment bank by a commercial bank.

The stock swap, valued at about $1.6bn, is the latest sign of the erosion of the US Glass-Steagall law separating commercial and investment banks.

The move was viewed by analysts as a further sign that consolidation in the financial services industry is quickening, as commercial banks, investment banks and brokers move into new and overlapping territory. Stocks of small and mid-sized investment banks and brokers rallied strongly yesterday as speculation mounted that the latest deal, just two months after Dean Witter merged with Morgan Stanley, would put pressure on other potential acquirers to secure their targets.

Mr Frank Newman, Bankers Trust's chief executive officer, said the deal was strategic, rather than cost-driven. Bankers Trust has built a strong fixed income and derivatives business while Alex. Brown is strong in equities and private banking.

"We have a very powerful capability for issuing debt, particularly growing and restructuring companies, but we have been struggling to build an equity underwriting capability as powerful as our debt [capability]," said Mr Newman.

Bankers Trust's shares fell $1⅞ to $80¼ in early trading, while Alex. Brown stock jumped $10½ to $63¼. Since rumours of an impending deal started to emerge in the middle of last week, Alex. Brown's share price has ballooned by more than 50 per cent.

Alex. Brown shareholders will receive 0.83 Bankers Trust shares for every Alex. Brown share, giving them about 20 per cent of the merged company. At current prices, the swap values Alex. Brown shares at $66.60. Alex. Brown will keep its name and its Baltimore headquarters.

Although the deal was not cost-driven, the companies said it should achieve savings of about $80m in a year. It is expected to enhance earnings in the second year.

Mr Newman said the bank had decided to make an acquisition rather than build its own equities franchise because "building is very long and hard... It was going to take a long time."

"Alex. Brown is in a terrific niche business, with return on equity of more than 25 per cent," said Ms Sallie Krawcheck, an analyst at Sanford C Bernstein. Bankers Trust, with assets of $120bn, managed only 13 per cent in 1996.

Alex. Brown, founded in 1800 by the Irish-born Alexander Brown, was a private partnership until 1986.

But there are some doubts about whether the deal can catapult the new company to the top tier of investment banks. "[Alex. Brown] is a wonderful business – but it's not one from which a large wholesale bank can create an institutional equity business," said Mr Gerard Smith, a managing director at UBS Securities who advises financial institutions.

Background, Page 21; Lex, Page 16; Editorial Comment, Page 15; Observer, Page 15

China threatens Denmark for UN censure move

China tried to drive a wedge between European Union members by threatening to retaliate against Denmark's condemnation of its human rights record. France, Germany, Italy and Spain oppose Denmark's sponsoring of a United Nations resolution condemning Beijing; they favour a "critical dialogue". But Denmark is supported by the US and most of the EU, including the UK which is taking a firm stand ahead of the handover of Hong Kong to Chinese sovereignty in July. Page 16; EU streamlining, Page 2

Framatome, the French nuclear engineering group, said talks between GEC of the UK and the French government have collapsed, making it very unlikely that there will be a deal to merge the group with GEC Alsthom, the power engineering group jointly owned by GEC and Alcatel of France. Page 17

EU inflation: Annual inflation stood at 2 per cent in the European Union in February, down from 2.2 a month before and 2.6 last year. Eurostat said the February rate was below 2 per cent in seven of the 15 countries and exactly 2 in three states, including the UK.

Power showdown in Russia: The reform team in the Russian cabinet is expected to face its first showdown with the country's bloated natural monopolies at a meeting of shareholders and customers of Unified Energy Systems, the national electricity company. Page 2

Banker posts $26m in property as bail

Convicted financier Mario Conde, left, managed to stay out of jail when Spain's national court accepted $26m worth of property guarantees in place of $13m cash bond. The court set the high bail to deter flight by Conde pending appeal of a six-year sentence for misappropriating more than $4m from his former bank, Banco Español de Credito (Banesto).

Strike hits Italian flights: Scores of flights were delayed or rerouted at 11 Italian airports due to a strike by traffic controllers who are protesting against delays in contract talks. They plan another one-day strike on Wednesday.

Delta Air Lines flights to Paris from Atlanta, New York and Cincinnati have begun using Charles de Gaulle Airport instead of Orly, giving passengers better international connections.

HK extends US air links: In a move to keep air links open under Chinese rule, Hong Kong agreed with the US to extend air links beyond the July 1 handover of the territory. The US expressed concern, however, over fees at the new airport. Page 4

Burmese bomb kills general's daughter: A parcel bomb exploded at the home of one of Burma's four ruling generals, army chief of staff Lt Gen Tin Oo, killing his eldest daughter. Rebel groups denied responsibility, saying the attack reflected an internal feud between the military leaders. Page 4

Burmah Castrol's chief executive Jonathan Fry accused continental European governments of depressing consumer confidence in the pursuit of monetary union, and warned that the strong pound could lower earnings at the lubricants group. Page 17; Lex, Page 16

Japan's surplus rises: Japan's politically sensitive current account surplus rose to Y865.2bn ($7bn) in February, up 15 per cent on a year earlier. It was fuelled by a weakening yen, which sank to a four-year low against the US dollar. Page 16; Editorial Comment, Page 15

Ukraine stops Chinese aliens: Border guards detained 55 Chinese who planned to cross Ukraine's western frontier illegally. They were in the canvas-covered back of a truck on a road outside Uzhgorod, near the Slovak border.

Serpent heads for Paris: Charles Sobhraj, known as "the Serpent" for allegedly murdering 14 tourists in Thailand, was to fly to Paris today after being freed from an Indian jail. Sobhraj, now 52, was released in February after 21 years when the Indian government dropped other charges and ordered him to leave the country.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6577.86	(+50.99)
NASDAQ Composite	1255.91	(+18.98)
Europe and Far East		
CAC40	2572.31	(+54.34)
DAX	3312.88	(+67.95)
FTSE 100	4271.7	(+35.1)
Nikkei	17715.67	(-144.92)

US LUNCHTIME RATES

Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.267%
Long Bond	94⅝
Yield	7.074%

OTHER RATES

UK: 3-mo Interbank	6⅜%	(6⅜%)
UK: 10 yr Gilt	97⅛	(97)
France: 10 yr OAT	97.72	(96.84)
Germany: 10 yr Bund	100.71	(99.89)
Japan: 10 yr JGB	106.4848	(106.3048)

NORTH SEA OIL (Argus)

Brent Dated	$17.05	(17.325)

GOLD

New York: Comex		
April	$348.4	(348.8)
London:		
close	$348.75	(347.35)

DOLLAR

New York: lunchtime		
£	1.627	
DM	1.7085	
FFr	5.753	
SFr	1.4685	
Y	125.775	
London:		
£	1.6297	(1.6403)
DM	1.711	(1.6758)
FFr	5.7571	(5.6415)
SFr	1.468	(1.4319)
Y	125.755	(124.135)
Tokyo close:	Y 124.75	

STERLING

DM	2.7884	(2.7488)

Washington aims for a goodwill gesture from Israel

Clinton seeks new moves on Mideast peace

By Bruce Clark in Washington and Judy Dempsey in Jerusalem

US President Bill Clinton yesterday told Mr Benjamin Netanyahu, the Israeli prime minister, that "constructive steps" were needed to get Middle East peace efforts back on track.

But the huge gap between Israel and the Palestinians was underlined when Mr Yassir Arafat, the Palestinian leader, accused Mr Netanyahu's government of "declaring war on the peace process".

Mr Clinton, who received Mr Netanyahu at the White House, pledged to remain personally involved in peacemaking, but made it clear he would not launch a new initiative unless the parties co-operated.

Asked if he would consider a peace conference at Camp David – similar to the landmark Israeli-Egyptian negotiations of 1978 – he replied "it's important not to jump the gun on that" and emphasised the need to "get the process going again".

He said the parties should set an "agreed-upon destination" and then "re-establish the confidence necessary" for further progress.

Earlier, Mr Netanyahu insisted he would not take the measure which the Palestinian side has demanded most strongly in recent days – a halt to the 6,500-unit Har Homa housing project in East Jerusalem which has triggered three weeks of riots.

He said the government had acted properly in exercising "our right to build apartments" for both Jews and Arabs in Jerusalem.

"That is our right, that is our obligation," he told cheering supporters at a meeting of Voices United For Israel, a lobby group.

"I want to assure you that we will never allow Jerusalem to be redivided again," he added.

Mr Arafat, meanwhile, told foreign ministers of the Non Aligned Movement in New Delhi that Israel was waging "a war of aggression against our people" by carrying on with work at Har Homa. He also condemned the US for blocking UN resolutions deploring the housing project.

In Washington, Mr Clinton endorsed Mr Netanyahu's view that Israel should not be expected to make concessions in order to secure an end to Palestinian violence.

"I agree that freedom from terrorism is something which no one should have to purchase," the president said.

But in an oblique call for Israel to make a goodwill gesture, he added: "We do need to continue the peace process in an honourable way that will bring it to an honourable conclusion".

Diplomats said the deadlock over Har Homa meant that the US administration would have to seek confidence-building measures in some other area - such as better transport links for the Gaza strip.

Mr Netanyahu's visit to the White House coincided with fresh violence in the West Bank. A Jewish settler shot and wounded two Palestinians in Kharhatha after accusing them of stoning his van.

The peace process suffered a further setback when Oman refused to grant entry visas for two Israeli diplomats - a sign that the Arab League's call for a suspension of relations with Israel is possibly being heeded.

Palestinian leader Yassir Arafat yesterday. He accused Israel of "declaring war on the peace process" Picture: AP

European bond and equity markets surge

By Richard Lapper and Richard Adams in London

European bond and equity markets surged ahead yesterday on renewed hopes that European Monetary Union will go ahead in 1999 as planned and a sharp fall in the value of the D-Mark against the US dollar.

German and French shares gained some of the ground lost during last week's sharp falls. Mr Bal Sandhu, European equity strategist at Dresdner Kleinwort, the European bank, said that equities had rebounded strongly on the back of dollar and bond market strength.

Revived confidence about Emu followed agreement of a stability and growth pact at the weekend meeting of European Union finance ministers and hints that Germany may soften its stance on initial membership criteria.

European bond prices rose sharply, with the yield on the benchmark German 10-year bond falling by about a tenth of a percentage point to 5.9 per cent. Bonds issued by the governments of Italy and Spain, which have most to gain from the convergence of European interest rates ahead of Emu, did even better, gaining more than a point.

The yield spread between Italian and German bonds, the premium investors pay for holding Italian paper, fell by about a tenth of a percentage point to 1.76 per cent.

Helped by more stable bond markets and weakness of the D-Mark – which fell by about 2.5 pfennigs against the dollar – equity markets performed strongly, recovering some of last week's losses. German equities were best performers, stocks dependent on export earnings among them.

The Dax Index gained 3.2 per cent to close at 3,342.7. In France the CAC-40 index closed at 2,572.31, up 2.2 per cent. In London the FTSE 100 had a better day, closing at 4,271.7 up 35.1, while in New York the Dow Jones Industrial Average was trading at 6,572.33 – np 46.46 – at 1pm.

Mr Michael Hughes, head of global strategy at BZW, the investment banking arm of Barclays, singled ont the stronger D-Mark as an important factor in European markets. "There is a feeling that the weaker D-Mark could be the most effective way of dellvering the economic growtb necessary for

Currencies, Page 25;
Bonds, Page 24
Continued on Page 16

Mining officials sacked as Bre-X affair continues

Indonesia denies link to Busang controversy

By Manuela Saragosa in Jakarta and Kenneth Gooding in London

Two senior Indonesian mining officials were sacked yesterday amid continuing controversy surrounding the size of Bre-X Mineral's Busang gold discovery on the Indonesian island of Borneo.

Mr Kuntoro Mangkusubroto, the director-general of mining at the Department of Mines and Energy, who played a key role in awarding government licences required by mining companies looking to operate in Indonesia, and Mr Zuhal, director-general of electricity and energy development, will both return to teaching jobs.

Their removal comes after Canadian company Bre-X caused financial opheaval when it announced last month that its claims about the size of the deposit in east Kalimantan, which had been thought to be the world's largest, may have been inaccurate.

However, the reasons for the removals remain unclear.

Mr Ida Bagus Sudjana, minister of mines and energy, yesterday denied the changes were to do with Busang. "The changes are routine," he said.

Mr Kuntoro said his removal was "normal". Asked if the move was linked to Busang, he said: "Ask the minister."

Indonesian newspapers have speculated that the dismissals may have been related to internal rivalries between a group of technocrats who used to teach at the prestigious Bandung Institute of Technology and those loyal to Mr Sudjana, a retired general.

Mr Kuntoro joined the ministry under Mr Ginanjar Kartasasmita, the previous mines and energy minister, with whom Mr Sudjana is widely rumoured to have sharp differences dating from before the Busang controversy.

Relations between Mr Kuntoro and Mr Sudjana are believed to have been strained for a long time; last year in the midst of a battle for control of the Busang deposit, the minister trimmed Mr Kuntoro's power to approve governmant licences to mine and explore.

Heavy selling sent the Bre-X share price down 21 per cent, or 67 cents, to C$2.51 by early afternoon yesterday as dealers suggested institutional shareholders were worried by further reports over the weekend about the size of the Busang deposit.

More than 4m Bre-X shares were traded in Toronto's first half hour.

One trader commented: "The shares are trading as if US institutions are saying, 'Get me out at any cost'."

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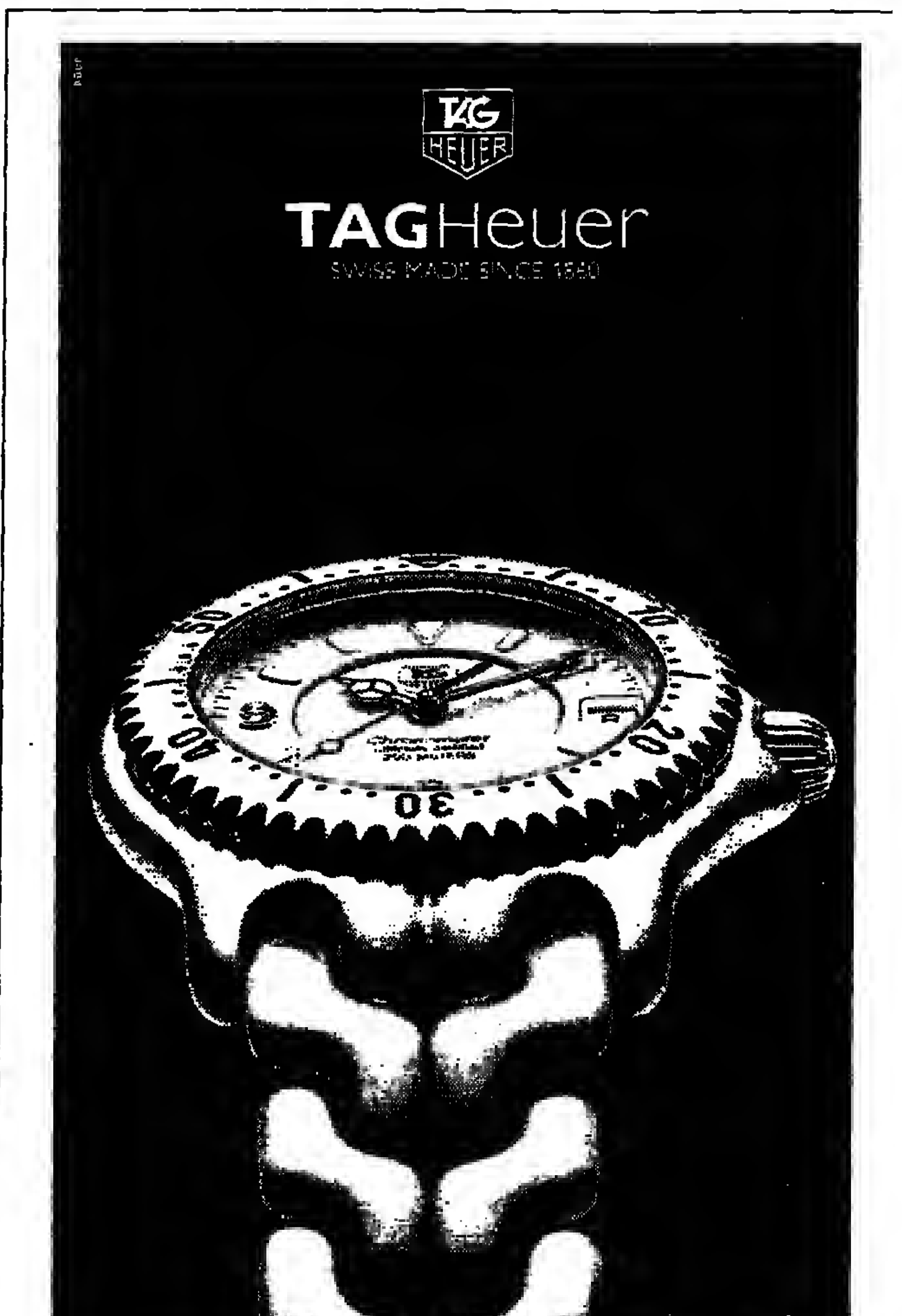

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

France tries to protect status as front-rank power in face of smaller states' opposition

EU streamlining splits Bonn and Paris

By Lionel Barber in Noordwijk

France and Germany are at odds over plans to streamline the European Union's institutions and decision-making ahead of enlargement to central and eastern Europe, with the Bonn government siding with smaller member states.

Franco-German divisions surfaced during a heated debate among the 15 EU foreign ministers in Noordwijk, the Netherlands, on the future size of the European Commission and the reweighting of votes in the Council of Ministers.

France is determined to protect its status as front-rank European power in an enlarged union of up to 25 countries, and to prevent paralysis as a result of small states wielding disproportionate power to block decisions.

But Germany is fearful of upsetting the balance between small and larger member states underpinning the EU since its creation 40 years ago. Bonn is also sensitive to charges that Paris, its closest ally, is tempted to create a foreign policy *directoire* of big countries.

The battle over institutional reform is the most sensitive issue in the EU's intergovernmental conference which is supposed to produce agreement on a revised Maastricht treaty at a summit in Amsterdam in mid-June.

On Sunday night, the Austrians, Dutch, Finnish, Irish, and Portuguese rounded on French proposals to cut the 20-member European Commission to a 10-member body, with all countries guaranteed a seat on a five-yearly rotation.

EU commissioners are supposed to represent the collective interest of the EU rather than their native countries, but smaller states view having their own commissioner as an insurance policy against domination by the big countries.

Mr Hervé de Charette, Freoch foreign minister, responded with a warning that the French National Assembly would never ratify the Maastricht II treaty without some institutional reform in favour of large countries.

Mr David Davis, UK minister for European affairs, said Britain was ready to give up one of its two EU commissioners, but only if it received compensation.

Ideas such as a favourable distribution of portfolios or a reweighting of votes for big country Commissioners were dismissed by smaller countries as "non-starters".

The reweighting of votes in the Council of Ministers ahead of enlargement – as well as the threshold needed to trigger a qualified majority decision – is another sensitive IGC issue.

In the original Six – France, Germany, the Benelux and Italy – the balance of voting weights meant that 70 per cent of the Community's population was needed to win a qualified majority. Today, with 15 members, the figure has fallen to 58.3 per cent. It could fall to 50.3 per cent with 26 members.

The Dutch presidency has floated the idea of tilting the voting weights so the qualified majority is, in effect, raised to either 55 per cent, 60 per cent (more or less the status quo), or 65 per cent. It has also asked countries whether they favour a switch to a "double majority" which would incinde an appropriate percentage of the population and the current weighted majority.

Kremlin disputes Moscow road 'tax'

By Chrystia Freeland in Moscow

Rutted highways have been a favourite Russian obsession since the 19th century when writer Mikhail Saltykov-Shedrin observed that "fools and bad roads" were the nation's two most enduring misfortunes. Today, Russia's pot-holed streets are again at the centre of attention in a road war which has pitted Mr Yuri Luzhkov, the powerful mayor of Moscow, against the federal authorities.

At the heart of the dispute is a "road fund" which Mr Luzhkov has generously endowed with contributions from the city's taxpayers. The fund is based on a 1 per cent payroll tax levied only within city limits and a share of four federal road taxes.

Russia's cash-strapped federal officials found this impossible to ignore and so, earlier this year, parliament passed a law claiming half the Moscow fund – some $645m – for the central government, to be used to improve the national road system.

City hall protested against the bill and won a presidential veto of the law in its initial form. But over the weekend it became apparent that Russia's most muscular regional government was preparing for a face-saving climb-down.

Luzhkov (left) appears to have lost out to Yeltsin in row over road fund

Mr Luzhkov conceded that part of the Moscow road fund could be used to improve crucial arteries connecting the capital with the north-western, western and southern areas of the country. However, Mr Luzhkov insisted that "Moscow can do this only on purely voluntary terms." He said a three-way commission, formed of representatives of parliament, city government and federal government, was working out a compromise.

Political observers see the tussle as a blow to Mr Luzhkov, who openly covets Mr Boris Yeltsin's presidency and has built np such a strong personality cult that one Moscow perfume prodncer has recently launched a scent named "Mayor" in his honour. "This was a great defeat for Mr Luzhkov, it shows that Mr Luzhkov's power within the Federation Council [the upper chamber of parliament] is not as great as we thought," said Mr Sergei Markov, a professor of political science at Moscow State University. "The Kremlin also doesn't need Mr Luzhkov to become too powerful a leader."

The conflict has also highlighted a more fundamental struggle between the regional and federal governments over tax collection. Low national rates of revenue collection have emerged as the Kremlin's most pressing political and economic problem. Bnt regional authorities, like Mr Luzhkov's city hall, have proven more successful at extracting taxes, creating tension between the two levels of government.

"Right now, the regions have achieved a situation in which local taxes are more avidly collected than fsderal taxes," Mr Markov said. "This will be a big problem for Chubais [Mr Anatoly Chubais, the liberal first deputy prime minister]."

Italians set for showdown over Albania

By Robert Graham in Rome

The Italian centre-left government looked set last night for a showdown over its Albanian policy with ths hardline Reconstructed Communism party, the coalition's parliamentary partners.

RC yesterday again refused to withdraw its opposition to the despatch on April 14 of up to 2,500 Italian troops to lead an international humanitarian mission to Albania.

If confirmed in parliamentary votes today and tomorrow, this refusal will weaken the 10-month-old government headed by Mr Romano Prodi, the prime minister. It could even lead to the fall of Italy's first post-war administration dominated by the left since it will be hard to pretend that the government could rely for the remainder of its term on the continued support of RC.

The immediats cause of this rift is RC's view that conditions in Albania are too dangerous for any mission involving Italian troops. Mr Fsusto Bertinotti, RC leader, has warned against any gesture which might appear to help rightwing Albanian president Sali Berisha. Behind this lurks a latent anti-militarism within the RC which has previously been at odds over the use of Italian troops to aid Somalia.

Over the past month Albania has emerged as an important domestic and foreign issue because of the thousands of illegal immigrants that have fled to Italy. The government has already obtained the backing of the rightwing opposition parties to send troops to distribute aid and restore communications in the Balkan state. Thus the despatch of troops is unlikely to be affected by the onteome of this week's votes.

But the split with RC exposes the fragility of Mr Prodi's parliamentary majority and the way this government has been consistently hindered by the need for their 35 votes. It also comes in a month when key Italian local elections are due.

Already last week in a parlismentary debate on Albania, Mr Franco Marini – the new leader of the Popular party (PPI) which represents the Christian Democrat centre of the ruling coalition – called for a frank assessment of the current coalition arrangement. Since then the atmosphere has further deteriorated.

All the parties in the government have become exasperated with Mr Bertinotti's determination to go it alone regardless of the consequences. This in turn has seen old antagonisms towards RC resurface. In particular ministers are concerned that it will be much tougher to rely upon the votes of RC to push through crucial pensions and welfare reforms. Such concerns reinforce the view that the government can only survive with a degree of credibility after this week's vote if RC is obliged to commit itself to a specific programme.

Until now Mr Bertinotti has refused to do this, well aware that his party's power can be exercised more effectively by promising support on an issne-by-issue basis. The sole constraint on RC is the fear of going to an early poll.

Although the party can count on a solid 9 per cent of the vote, it would win few seats under the current electoral system without deals with the parties in the centre-left government.

Cracks appear in Bulgaria's political truce

By Anthony Robinson, East Europe Editor

The group of 24 industrialised countries meets in Brussels today to discuss further financial support for Bulgaria amid signs thet the political truce in Sofia that brought to an end a month of street protests and helped stabilise the economy is breaking down.

In an open letter to Bulgaria's President Petar Stoyanov published in the Bulgarian press, Mr Georgi Parvanov, leader of the Bulgarian Socialist party (BSP), accused the Union of Democratic Forces (UDF) of "betraying the principles which led the country out of crisis".

The Socialist government agreed to resign in February, to make away for a caretaker government led by Mr Stefan Sofianski, the UDF mayor of Sofia, after economic crisis and demonstrations made its position untenable.

The caretaker government was empowered to negotiate with the IMF and prepare for early general elections on April 19.

On the strength of this agreement the government was able to negotiate a $656m standby loan and financial package with the IMF whose board is due to approve the deal on Friday.

The financing is connected witb the planned introduction of a currency board payments system soon after the elections, irrespective of which party wins.

But Mr Parvanov claimed the Socialists had not been kept informed of the details of negotiations with the IMF and other institutions.

What most angers the Socialist party leadership, however, is the way in which the caretaker government has carried out a purge of former government appointees in enterprises and institutions across the country.

The latest opinion polls show the Socialists, who won 54 per cent of the vote and enjoyed an absolute majority in the last parliament, are now languishing with only 17 per cent support while the UDF, which was rejected by voters in the December 1994 elections, enjoys over 60 per cent support.

But the UDF, a fractious and uneasy coalition, is also falling prey to the personality conflicts and rivalries which reduced its sffectiveness in the past, forcing President Stoyanov to msdiate between the factions.

The Movement for Rights and Freedom, the sthnic Turk party which used to support the UDF, and the trade unions are chafing at the UDF leadership in which Mr Sofianski, the acting prime minister, is at odds with Mr Ivan Kostov, the former finance minister who bopes to become prime minister if the UDF wins the elections.

Reformers take on Russia's Goliaths

Chrystia Freeland on today's expected showdown between new cabinet team and electricity monopoly

The new reform team in the Russian cabinet is expected to face its first big showdown with the country's bloated natural monopolies today at an informal meeting of large shareholders and customers of Unified Energy Systems (UES), the national electricity company.

The meeting will be a test of the new administration's pledge to curb the overwhelming power of the natural monopolies, which until now have enjoyed close links with the government, which has turned a blind eye to their low payment of taxes.

According to Mr Boris Nemtsov, the first deputy prime minister, who is expected to chair the meeting, the three largest natural monopolies – Gazprom, UES and the railways – together owe the federal government Rbs25,000bn ($4.4bn).

A preliminary investigation into UES has already uncovered evidence of either gross mismanagement or widesprsad corruption within the company, and a recent informal survey of foreign investors revealed deep discontent.

"UES is easily ths world's worst managed electricity utility company," was a typical investor response in ths survey, condncted last autumn by one of the "big six" international audit firms. Another investor said: "UES management conduct the company's affairs with a complete disregard for the rights and expectations of its shareholders. Since the state is the major shareholder, this is rather strange."

Mr Boris Brevnov, brought in as vice-president last week to clean up the company, said tomorrow's meeting "will be the first step on the road to making this company open and transparent. For the first time, outside shareholders and even the government itself will have s real voice".

The meeting promises to be a significant move towards greater transparency and improved shareholder rights in UES. For the first time, foreign investors, who hold some 27 per cent of ths equity, will have the opportunity to question management directly.

Like Gazprom, the natural gas giant which is probably Russia's most powerful monopoly, the Soviet-era management of UES used to restrict the rights of outside shareholders by giving them very limited voting rights and no seat on the board.

Over the next few months, the government's reform team hopes to increase competition in the electricity sector and bring down prices for industrial users.

One important proposed change is to divest UES of power generating capacity. A second suggested change is to create a competitive wholesale market in electricity to which big industrial users across the country would have access.

Successfully resbsping UES would be an important victory for the new ministers brought in last month by President Boris Yeltsin because financial disarray at the company has infected the entire economy and high energy prices have pnt a brake on industrial recovery. The task will be particularly significant for Mr Nemtsov and the small band of provincial reformers he has brought from his home base of Nizhny Novgorod.

"Those who defend the natural monopolies in their current form, " he said at the weekend, "are consciously or unconsciously defending corruption, s deepening of the economic crisis, non-payments and a worsening of the social situation of our poorest people".

A newcomer to the cut-throat politics of ths Russian capital, Mr Nemtsov has been handed the tricky task of battling with the deeply entrenched natural mooopolies. Mr Nemtsov has described it as a "kamikaze" mission – with some justification. Now that he has surrendered his secure governorship in Nizhny Novgorod, if he is defeated by ths natural monopolies in Moscow he could swiftly vanish into the political wilderness.

With the appointment of Mr Brevnov to a key job at UES, Mr Nemtsov has scored an early strategic victory. Just 29 years old, Mr Brevnov has already created Nizhny Novgorod's most powerful bank and established himself as an influential local politician. In seeking to reform UES from the inside, he now faces the biggest challenge of his career.

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Partnership 'can help save jobs'

By Emma Tucker in Brussels

Economic restructuring does not bave to lead to mass redundancies and can be carried out in a socially responsible way, says a group of leading European industrialists in a report published yesterday.

The European Round Table of Industrialists (ERT), representing 40 industries, points to closer links between large and small companies as a way of accelerating change and innovation as enterprises respond to global competition.

"The smallest companies can demonstrate the flexibility and speed of reaction that comes from close personal control, whils the big companies can mobilise the resources and technology to drive new products into the market places of the world," said Mr Morris Tabaksblat, chairman of Unilever, the Anglo-Dutch food manufacturer, who presented the report yesterday.

In an unspoken rebuke to Renault, the French carmaker, which last month announced the closure of its Belgian plant with the loss of 3,100 jobs, the report points to efforts mads by large employers to minimise damage to communities as competitive pressures have forced changes.

One case study examines the example of Philips, the Dutch electronics group, when it decided to close a lighting factory in the Italian mountain village of Alpignano, a move which would have devastated an entire community. It transformed the site into a business park by recycling the knowledge and experience of the workers, plus the land, buildings and machinery of the factory.

Another example was Nestlé's decision to spin off an in-house printing operation when it took over Rowntree of the UK. Nestlé told the private buyer that if it built a printing plant nearby and took in the former Rowntree employees, it would be swarded all Nestlé's print contracts in York.

Ironically, Renault is singled out for praise for a company programme which offers practical help to any smployees who come forward with ideas for setting up small businesses.

While such initiatives will stimulate the overall business climate in Europe, the ERT acknowledges they only play a part in the battle against unemployment.

Mr A D Melkert, Dutch social affairs minister, said: "It would be a fatal mistake if Europe would embark on the road of economic conservatism and artificial aid in order to save jobs in the shorter term.

"Job creation and job cancellation are daily practice in a modern, open European economy. There is no getting away from this fact. But… they cannot be detached from their social context," he added.

A Stimulus to Job Creation – Practical Partnerships between Largs and Small Companies; available free from ERT on 322 534 3100.

EUROPEAN NEWS DIGEST

German tax talks hope

Stalled German cross-party talks on tax reform may be about to resume. Hopes rose after Chancellor Helmut Kohl agreed to take part himself. However, Mr Oskar Lafontaine, leader of the opposition Social Democratic party (SPD), appeared to add to his party's demands, calling for higher children's allowances and a clear government statement on the impact of sweeping tax cuts on future years' budgets. Mr Kohl needs SPD support because of its dominance in the Bundesrat, the second chamber of parliament.

Mr Peter Hintze, general secretary of Mr Kohl's Christian Democratic Union, expressed the hoped that government plans for cuts in 1998 and 1999 could be agreed by the Bundestag, the lower house of parliament, before the summer holiday.

The SPD pulled out of earlier talks amid a row with the government over coal subsidies. Mr Lafontaine subsequently insisted Mr Kohl should be part of resumed talks. However, despite yesterday's concession, Mr Kohl still expects most of the negotiations to take place in a specialist committee. *Ralph Atkins, Bonn*

Fewer Spaniards out of work

Registered unemployment in Spain fell more than expected last month to its lowest level for 15 years, reversing a slight rising trend in the total in January and February. The number registered with the labour ministry's employment offices fell by 35,249 to 2.2m, a drop of 1.5 per cent that brought last month's figure down to 13.8 per cent of the working population.

Last month's figures were released as the main trade unions and business associations put the finishing touches to a new agreement on employment rules that reduces dismissal costs and introduces new labour contracts to convert temporary appointments to permanent jobs.

The government said 718,506 contracts had been registered at employment offices last month, the highest March number on record. Most, however, were for temporary and part-time work; fewer than 4 per cent of them involved the permanent jobs which, under the high redundancy terms set by the old labour rules, carry considerable job security. *Tom Burns, Madrid*

■ Spain's current account was Pta168.8bn ($1.2bn) in surplus in January against a deficit of Pta98.9bn in December, and a Pta 104.8bn surplus a year earlier.

Dutch voicemail plan dropped

KPN, the Dutch privatised posts and telecoms company, yesterday withdrew an offer of free voicemail messaging for its phone subscribers after the transport ministry, which supervises the industry, warned that such services could not be funded from its monopoly earnings. The country is to liberalise basic telephony from July, ahead of the European Union's deadline of next January, and KPN's PTT Telecom subsidiary is seeking to defend its position against new entrants.

Mr Johan Kooij, PTT Telecom vice president, rejected accusations by Telfort, a joint venture grouping BT of the UK and the Dutch national railways, that it was being slow in agreeing interconnection tariffs for rival operators, was trying to set these too high, and was not giving enough information about the cost structure on which they were based. Mr Kooij claimed it was offering a rate which, although double that charged by BT in its home market, was the second lowest in the world. He denied seeking to impose a rate four times the BT level. *Gordon Cramb, Amsterdam*

Citibank for Romania loan

Romania yesterday chose Citibank to lead a syndicated loan of $157.3m to Romanian farmers to buy US irrigation and drainage equipment. It is the agricultural sector's largest single loan so far, and will be guaranteed by the Finance Ministry and the US Eximbank. The loan is to be paid in two instalments of $133m and $24.3m, payable in seven and three-and-a-half years respectively.

The equipment is to be purchased exclusively from two US companies, the Case Corporation and Valmont Industries. Agriculture has been one of the economy's most productive sectors. *Anatol Lieven, Budapest*

Turkish nationalist chief dies

Mr Alparslan Türkeş, veteran leader of Turkey's nationalist movement, who died at the weekend aged 79, is to be buried in Ankara today. He was one of the colonels who led Turkey's first military coup in 1960. Later, he created the Grey Wolves gangs of streetfighters which fought leftwing extremists in the 1970s.

Although his Nationalist Action party has a relatively small following, it is influential. It is well represented in the security forces, police and bureaucracy.

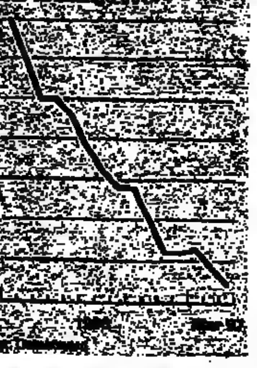
Several contenders are already squaring up for the succession battle. Mr Türkeş appointed his son Tuğrul as his successor, but the party faithful are believed to want someone stronger. Front-runners include Mr Mehmet Ağar, a former interior minister and police chief. He is an MP in Mrs Tansu Çiller's centre-right True Path party but may quit after a parliamentary committee accused him of colluding with organised crime. *John Barham, Ankara*

Pope wins Polish pledge

Pope John Paul yesterday had his first meeting with Poland's President Aleksander Kwasniewski. The president, a former Communist, promised to speed up passage of the long-delayed treaty with the Vatican on Church-state relations. *Reuter, Vatican City*

ECONOMIC WATCH

Price rises slow in Italy



Italy's headline inflation rate fell to 2.2 per cent in March from 2.4 per cent the previous month, confirming a general downward trend in the consumer price index over the past 12 months. Consumer prices last month grew 0.1 per cent, according to Istat, the official statistics institute. The decline in inflation has been helped by continued depressed domestic demand, combined with unusually strong competition in food prices.

On a year-on-year basis, food prices rose in March at 1.1 per cent, compared to 5.5 per cent for housing and 2.4 per cent for services. All tariff increases introduced this year have been absorbed with the exception of a small impending rise in postal charges. However, the falling inflationary trend is expected to level out by the summer and then lead to a slight rise in the second half of the year as higher wages costs are felt. *Robert Graham, Rome*

■ Annual inflation in the European Union in February has fallen to 2.0 per cent, down from 2.2 per cent last month and 2.6 per cent in February last year, according to figures from Eurostat, the EU's statistics office.

■ Tourist arrivals in Malta fell by 5.3 per cent in February compared to the same month last year.

NEWS: EUROPE

Bonn hoists a signal over Emu

By Peter Norman in Bonn

The Bonn finance ministry's damage control machine swung into action yesterday to dispel the impression that Mr Theo Waigel, its minister, had signalled that Germany would accept a more relaxed interpretation of the Maastricht deficit criterion for European economic and monetary union.

The minister's weekend remark that "I have never nailed myself to the cross of 3 per cent" was explained as irony or as a joka.

Mr Waigel himself, in Munich for a meeting of the Christian Social Union which he leads, insisted there was "no room for interpretation" of the criterion that public deficits must not exceed 3 per cent of gross domestic product.

"Three is three and that is how it is staying," he declared before yesterday's meeting. Later, he added: "Everybody must get used to the fact that three does not mean three plus X. The criteria will be interpreted strictly and stringently and not loosely and laxly."

There was, nevertheless, a strong suspicion that he had started preparing the German people for some deviation from the Maastricht criteria in order to allow Emu to start as planned at the beginning of 1999.

Although Mr Waigel's ministry said yesterday that he still believed there was a "good chance" this year's German deficit would be 2.9 per cent of GDP as forecast, other officials, were less optimistic. It was noted that Mr Waigel had in the past delivered differing messages to international and domestic audiences.

Adding to the sense of a shift in attitudes, Mr Klaus Kinkel, the foreign minister, referred in a newspaper article to "scope for interpretation" in the treaty, although he also stated that this should only be used in strict conformity with the requirements of stability and in line with the meaning and purpose of Maastricht.

Indicating frustration with Mr Waigel's stance, two backbench MPs from Chancellor Helmut Kohl's Christian Democratic Union, published an 11-page statement in which they declared that it was a "misinterpretation" of the treaty to insist on a 3 per cent deficit limit.

They warned that the government could fall into a "trap" of having to choose between meeting the 3 per cent limit or the Maastricht timetable.

"We must tell the public in good time that not to take part in Emu because of a deficit of over 3 per cent would contravene the spirit and the text of the treaty," said Mr Armin Laschet and Mr Franz Peter Basten.

Pointing out that the criteria were "reference values" found only in a protocol to the treaty, they said that the debate over whether to meet the terms for launching the euro "to the decimal point" was robbing politicians of their freedom to act.

"Landing on the dot [of 3 per cent] is our own [German] interpretation which we have fixed upon in an absurd way and without any discernible reason."

Ireland looks to widen its horizon

Stronger ties with Europe would lessen dependence on Britain, writes **John Murray Brown**

Preparing for Emu

Ireland is determined to be among the founder members of the proposed single European currency regardless of what the UK, its main trading partner, chooses to do and in spite of some misgivings among businessmen and economists. The Irish government last week approved a national plan for the introduction of the euro on January 1 1999 and – barring unforseen upsets, Ireland looks set to meet the deficit, debt and inflation criteria for membership.

However, there are donhts whether this is sustainable. Some economists believe that in the medium term government growth forecasts may prove optimistic, making it difficult to remain within the deficit criterion for the single currency – the budget deficit must not exceed 3 per cent of gross domestic product.

Ireland'a Emu motives are largely political: it believes that it is only through strengthening ties with Europe that it can lessen its dependence on the UK.

"We have a reputation of being perhaps the most enthusiastic Europeans. But this does not imply we are engaged in a one-way dialogue about Emu or that we see greater integration as an unmixed blessing," says Mr Maurice O'Connell, governor of the Central Bank of Ireland.

Nonetheless, of the political parties only the small right of centre Progressive Democrat party has voiced doubts about joining, pointing to the problems which might face companies selling to the UK in the event of a competitive devaluation. Opinion polls suggest there is overwhelming public support.

Ireland is in an awkward position. Among other European Union states only Portugal has a similar trade dependence on a large neighbour.

Mr Jim O'Leary, chief economist with Davy stockbrokers points out that Ireland does just 27 per cent of its trade with Germany, France, Austria and the Benelux countries – which at this stage would seem its most likely partners in the first phase of Emu – against 47 per cent with the UK and US.

As a small open economy Ireland has no pretensions to going it alone, and has some experience of currency unions – it used the British pound from the early 1800s until the 1920s, and the Irish pound was pegged one-to-one to sterling until 1979.

> Ireland is in an awkward position. Among other EU states only Portugal has a similar trade dependence on a large neighbour

But if the UK does remain outside Emu, Irish businesses fear they would be vulnerable to sterling's volatility, impairing competitiveness and damaging employment.

There are also questions about whether interest rates set in Frankfurt would be appropriate, given that Ireland's economic cycle is more likely to be in step with that of the UK than its European trada partners.

Some of these issues were addressed in a study by tha independent Economic and Social Research Institute, commissioned by the government last year.

The report said the economy would benefit from lower interest rates, increased international investment and "an intangible confidence factor," bul gains in outpnt, trade and employment would be modest.

It estimated that the benefits of the single currency would be greater if the UK joined as well – a 1.8 per cent increase in gross national product and an additional 28,000 jobs over five years, against 1.4 per cent extra GNP and 24,000 jobs if the UK stayed out, and sterling shadowed the euro, or 0.4 per cent GNP gain and 10.000 jobs, if sterling devalued by 20 per cent.

But there is likely to be a downside for the financial services sector and those manufacturing companies – particularly clothing, shoes and food – in relatively open domestic markets and dependent on exports to the UK.

For the financial services industry, the move to a single currency will involve one-off conversion costs estimated at I£110m-I£130m ($175m-$206m).

According to Mr Michael Watson of Bank of Ireland, the retail banks are likely to be worst hit by the cost of introducing the new notes, withdrawing the old ones, converting the cash dispensers and changing payments syatems, branch accounting and internal management. The ESRI estimated that conversion costs for retail banks would be I£80m-I£100m.

The ESRI estimated that the banks would lose foreign exchange business worth I£140m a year if sterling joined Emu and I£75m if it did not. An estimated 70 per cent of bank forex income currently involves sterling transactions.

ESRI estimated that between 2,000 and 4,000 jobs could be lost in the financial services sector, and warned this could have a long term impact on the "future development and training of a strategic management class" in the sector.

For the markets, there is still some scepticism over whether Ireland will make the cut. Irish bond yielda, while converging with German rates, still have some way to go.

The authorities fear that Ireland's strong economy might require higher interest rates, resulting in capital inflows putting upward pressure on the currency, which is already trading near the top of its range within the ERM.

The economic boom is generating record tax receipts but it also disguises the structural problems in the budget, highlighted by the failure to hit spending targets.

If there was a delay to Emu's starting date, some economists believe the country would find it difficult to meet its fiscal targets if the current economic growth rates were not sustained.

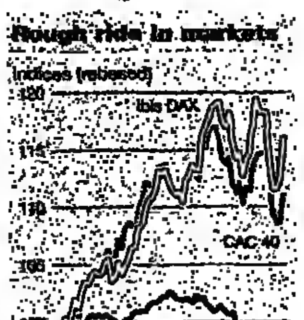
"If the government's growth projections are just 1 per cent below expectations, they would miss the 3 per cent deficit target," says Mr Alex Garrard, European economist at UBS, the Swiss bank in London. "It's now or never."

Markets start to believe the bird will fly

By Richard Lapper, Capital Markets Editor

International investors yesterday received a reminder of just how volatile European financial markets can be in the run-up to monetary union, with bond prices moving upwards and French and German shares reversing direction to regain some of the ground lost during last week's sharp fall.

Rough ride in markets



Source: Datastream

The bond markets recovery was triggered by a reaffirmation at last weekend's ministerial summit that the European Union is determined to press ahead with the existing timetable for monetary union and hints – subsequently denied – that Germany might soften its interpretation of the Maastricht criteria.

Some analysts are now suggesting the markets' former pessimism is giving way to a new bout of optimism that the planned single currency, the euro, will be introduced on schedule in 1999.

Mr Avinash Persaud, currency strategist at J.P. Morgan, says "there has been a significant shift in eentiment". Indications that the German economy is recovering more quickly than expected and that Italian and Spanish inflation is continuing to fall, should help each of these countries to meet the Maastricht criteria, he believes. Many investors have also been reassured by last week's decision by Chancellor Halmut Kohl to stand for re-election.

"Germany is seen as critical to monetary union and Kohl is seen as critical to German political will to make it," adds Mr Julian Jessop, chief European economist al the Japanese securities house Nikko (Europe).

The sudden shift in mood follows a stormy few months in bond and equity markets. Since the turn of the year bond prices have fallen sharply. Italian and Spanisb bonds, which have most to gain from the convergence of European interest rates, have been worst hit.

According to US investment bank Lehman Brothers, Italian 10-year bonds offered investors negative returns in dollars of 9.96 per cent in the three months to March 31; returns on lower yielding German paper were negative to the tune of 7.2 per cent.

Viewed historically, "these are hugely negative numbers", said Mr Mark Fox, Lehman's chief European strategist. Since 1987 Italy's previous worst performance had been a negative return of 3.06 per cent in 1994. Italy's 10-year yield spread over Germany – the yardstick used to measure the risk of holding Italian government assets – widened from less than 1.5 per cent at the end of January to more than 2 per cent last week.

Last week's fall in the equity markets, which saw some $60bn knocked off French and German shares, was triggered by the rise in US short-term interest rates before Easter and subsequent fall in US equities.

But analyats say the sell-off also represented a catch-up with the fall in bond prices, following gains of more than 30 per cent in the past 12 months.

But even if yesterday's movement does mean that investors are becoming more confident about monetary union, this upswing may not be long-lived. Mr Fox fears, for example, thal the dollar's strength, which helped bolster European convergence trades during 1996, has been a less reliable source of support this year. "For all of lasl year when the dollar rose so did peripheral currencies [like the lira and the peseta], but this year the dollar has had a random influence on Emu and has temporarily become irrelevant."

Changes in the international interest rate environment are also likely to check the chances of countriea such as Italy and Spain making Emu in the first round. Last year's bull run in European bonds and equities took place when interest rates in Europe and the US were falling. Last month's increase in the US Fed Funds rate could usher in a period of tighter monetary conditions.

Chung: denied giving bribes in order to gain loans Reuter

Hanbo chief admits gifts to politicians

By John Burton in Seoul

The founder of the Hanbo steel group, which is at the centre of a financial scandal that has shaken the South Korean government, yesterday admitted making gifts to top politicians, but denied they were bribes to gain state-approved bank loans.

Hanbo collapsed in January under debts of nearly $6bn, which raised allegations that the steel company had obtained loans by bribing associates of President Kim Young-sam and other leading politicians.

In testimony before a parliamentary inquiry that was broadcast live from a Seoul jail where he is imprisoned on embezzlement charges, Mr Chung Tae-soo said contributions made to politicians in the ruling and opposition parties were legal.

Mr Chung, wearing a light-blue prison uniform, explained that he had long and close friendships with many of the politicians who have been accused of accepting money from him.

He acknowledged that he had asked several politicians as a personal favour to persuade banks to lend to Hanbo and to avoid raising questions in parliament about loans to the company.

Mr Chung's testimony came as prosecutors said they were investigating up to 10 politicians and bureaucrats on whether they received money from Hanbo in return for influence-peddling. Another 10 politicians and businessmen, including Mr Chung, are on trial for alleged corruption involving Hanbo.

Korean newspapers have claimed that Mr Chung gave prosecutors a list of 20 influential ruling and opposition MPs who received donations from Hanbo.

Mr Chung denied opposition charges that he had inflated the cost of a new steel mill by Won1,300bn ($1.4bn) and had diverted the extra funds to create a slush fund. "The misunderstanding arose because of interest payments. About Won1,500bn was paid as interest," he said.

The questioning of Mr Chung at the Seoul detention centre was the most unusual phase yet of a 45-day parliamentary probe into the collapse of Hanbo, South Korea's biggest corporate failure. Several executives of Hanbo's main creditor banks have already been questioned, but they shed little light on why they lent so much money to Hanbo in spite of its lack of collateral.

The most eagerly awaited event in the hearings will be on April 25 when Mr Kim Hyun-chul, the president's son, is to appear at the national assembly to answer allegations that he accepted kickbacks and pressed banks to offer loans to Hanbo.

Airport charges raise chorus of protest

By John Ridding in Hong Kong

The US yesterday signed an air services agreement with Hong Kong which guarantees aviation links after the territory's return to Chinese sovereignty on July 1, but expressed concerns about proposals for a sharp increase in charges at the new Chek Lap Kok airport.

"This is something that our firms are primarily concerned about, that they raised with us," said Mr Richard Boucher, US consul general. Signing the 19th accord between Hong Kong and international aviation partners, he added that it was important for the territory to have competitive and commercially reasonable rates at the new airport, which is due to open in spring 1998.

The comments came amid mounting pressure from the aviation industry, which warns that landing costs could be three-times present levels and that high charges would undermine Hong Kong's attraction as a regional airline hub. China Airlines, the Taiwanese carrier, yesterday added its voice to concerns, signalling that it would consider alternative routes for its China-bound passengers if costs prove to be too high.

Hong Kong is China Airlines' most important overseas market, since it uses the territory as a transit point for flights into mainland China. Direct flights are not allowed between Taiwan and the mainland, although some progress has been made on other cross-straits transport links.

"If the costs double it will certainly call attention to the need to look at alternatives," said Mr Chiang Hung-I, chairman of China Airlines. "As an airline operation we play very close attention to the bottom line."

An airport in Macao has sought to win a share of the Taiwan-China market since it opened in late 1995. Air Macau and two Taiwanese carriers are authorised to operate the Taiwan-Macao route.

Mr Stephen Ip, Hong Kong's secretary for economic services, signalled some flexibility ahead of talks on the issue, which are scheduled for later this month.

"The Airport Authority will certainly listen to the viewpoints expressed by the airlines," he said. "I don't think a final decision has been made."

Estimates of proposed charges vary, but even the Airport Authority is talking of a substantial rise. Cathay Pacific, Hong Kong's *de facto* flag carrier, cited the example of landing fees for a Boeing 747-400. A spokesman said the proposals from the authority would take the fees from the US$3,314 now charged at Kai Tak to US$8,754.

"We are very concerned," said the spokesman. "The airline community has done its research and found the Airport Authority's traffic forecasts are too conservative." Cathay has warned that high charges could force the cancellation of some routes and that airlines might divert traffic to other regional airports. Tourist companies have also expressed concern about a possible loss of business in the territory.

HK puzzles over Communist party role

John Ridding on worries about powerful bodies emerging outside the channels of government

From the legislature to the law courts, the institutions of post-colonial Hong Kong have been the subject of scrutiny, of accords and of diplomatic disputes. All except one. The role of the Chinese Communist party remains shrouded in uncertainty. And given its leading role in mainland politics, the missing piece of the Hong Kong puzzle is of particular importance.

"The most dire speculation is that the party will operate much as it does in China," warns Ms Christine Loh, an independent legislator, who urges clarification of its role. "Such arrangements would be disastrous for Hong Kong. They would be as subversive to our way of life as the introduction of a full-blown communist economic system."

Over the past few weeks there have been mounting signals, if mixed, about the role of the party and other mainland organisations. At present, the party's power centre is located in Xinhua, the New China News Agency, which is the main local office of the central government. The agency monitors the growing number of state enterprises in the territory, guides the pro-China media, and fires regular salvoes at Mr Chris Patten, the governor.

Hong Kong fears the marble-clad headquarters of Xinhua News Agency, China's de facto embassy, will be a rival power to Mr Tung Chee-hwa, the post-colonial leader

Mr Zhou Nan, the present director, has said he will retire after the July 1 handover of Hong Kong to Chinese sovereignty. But initial reports suggesting a reduced role for Xinhua have been denied by Mr Zhang Junsheng, the agency's deputy director. He says it will continue to play "a crucial role" and that its director will remain the most senior mainland official in the territory. Several pro-China politicians say Mr Zhou's replacement will also hold the rank of minister in the mainland government.

Xinhua officials and Mr Qian Qichen, the foreign minister, have promised that the agency will not meddle in the affairs of the post-handover government, which has been promised autonomy in Sino-British accords. But in spite of such comments, there are fears that Xinhua's marble-clad headquarters will provide a rival power to Mr Tung Chee-hwa, who takes over in July as Hong Kong's first post-colonial leader.

"Everyone is focused on Mr Tung," says one diplomat. "But there remains a concern that the party will be an alternative influence. The party boss is the top man in every Chinese province, and despite the handover agreements, one might wonder if Hong Kong will ultimately prove different."

Such fears are fuelled by the list of post-handover organisations. Xinhua, the ministry of foreign affairs, and the People's Liberation Army all have party members and will all have a presence in the territory. But they will have no place in its political institutions, from Mr Tung's executive council to the civil service. This is in line with the "one country, two systems" formula which promises Hong Kong's autonomy. But it also means there will be powerful bodies outside the normal channels of government.

There are already signs of competition for influence between the Chinese organisations, raising the risk of a troublesome tussle. Mr Zhang's remarks about seniority were possibly aimed at the ministry of foreign affairs, which will be represented at vice-ministerial level in Hong Kong by Mr Jiang Enzhu, a former ambassador to London.

Little things, such as the smart new headquarters that will house the ministry, may grate with other mainland bodies. Xinhua is already believed to be miffed about the transfer of some of its international responsibilities to the foreign affairs ministry, although it has retained the highly sensitive dossier of relations with Taiwan.

The bigger question, concerning the party's potential role as a power centre, will depend on its influence and the identity of the top party official – an appointment which could become clear within the next few months.

Because of its clandestine nature, there are few reliable estimates of party membership. According to Mr Xu Jiatun, former head of Xinhua, now in exile in California, the party had 6,000 Hong Kong members in 1983.

The number has risen steadily, and is thought to include two or three members of Mr Tung's advisory cabinet. But compared with the mainland, the network is limited. "I don't think it is very extensive," says Professor Lau Siu-kai, a member of the Beijing-appointed Preparatory Committee.

Even pro-China figures, however, express concerns about the appointment of a senior party official to the territory. "This could overshadow Mr Tung and give the impression of another authority appointed by Beijing," says Professor Lau. "Political groups or businesses could turn to him for their demands."

He believes the top party official should be below ministerial level, pointing to a tacit understanding that Mr Tung himself will be of ministerial rank in mainland affairs, or one notch above.

Mr Tung has dismissed idea of an overlord. He has stressed his rapport with the central government and his access to China's top leaders. Supporters cite last month's meeting with Mr Li Peng, the Chinese prime minister, as a sign of his standing.

But whatever Mr Tung's access in Beijing a party heavyweight at home would add to the burdens of managing the transition.

Attack comes as Rangoon recovers from spate of violence

Parcel bomb explodes at Burmese general's house

By Ted Bardacke in Bangkok

A parcel bomb exploded at the house of one of Burma's top generals at the weekend, killing his eldest daughter and adding to the recent spate of violent incidents erupting in the military-ruled country.

Lieutenant-General Tin Oo, who as Secretary Two of the ruling State Law and Order Restoration Council (Slorc) and army chief of staff is the fourth highest ranking member of the military junta, was the apparent target of the bomb.

Residents said armed troops, already on "high security alert" ahead of next week's New Year water festival, made a visible show of force in Rangoon after the bombing, which occurred in an exclusive residential area. Roads to the home of opposition leader Ms Aung San Suu Kyi remained blocked.

The bombing came just as Rangoon was recovering from a series of attacks on Moslem mosques by Buddhist monks. The attacks, the reason for which remains unknown, began in the second city of Mandalay – where a night-time curfew is still in place – and spread to several other cities.

Photographs published at the weekend in the Bangkok-based newspaper The Nation showed hundreds of saffron-clad monks, wielding clubs, roaming the streets of Pegu, about 100km from Rangoon.

The religious unrest followed violent student demonstrations in Rangoon and Mandalay in December. Burma's main universities remain closed. No foreign journalists have received visas to visit the country for the past six weeks.

No one claimed immediate responsibility for the parcel bomb attack late on Sunday. Gen Tin Oo, considered a hardliner within Slorc, may have been the target of another attack on Christmas Day, when two bombs went off at one of Burma's holiest shrines, the Sacred Tooth Pagoda, soon after the general paid an official visit.

The authorities blamed the Christmas Day attack on the Karen National Union (KNU), an ethnic rebel group waging guerrilla war against Slorc. The KNU threatened to launch terrorist attacks after its last remaining military bases along the Thai border were overrun by Slorc troops earlier this year.

The KNU has denied any involvement in both bombings. It said Sunday's parcel bomb was the work of factions within the military opposed to Gen Tin Oo. "To make a bomb explode in a Slorc general's house is not easy," said Mr Mahn Sha, KNU first general secretary. "We are pretty sure it is concerned with the Slorc itself."

Since the religious disturbances of last month, speculation has been rife that a split in the military between hardliners such as Gen Tin Oo and the military intelligence chief, Gen Khin Nyunt, has widened.

Some diplomats believe the hardliners stirred up the monks to attack Moslems in an attempt to derail Burma's attempt to join Asean – where three of the seven member countries are mainly Moslem – for fear Asean membership could force more openness on the hermetic country.

Okinawa troop row smoulders on

By Gillian Tett in Tokyo

Controversy over the US military presence on the Japanese island of Okinawa flared again yesterday after Mr William Cohen, defence secretary, indicated Washington remained committed to maintaining a "robust" presence in the area.

The comments, shortly before he arrived in Tokyo to conduct talks with Japanese leaders on his first visit to Asia, are likely to fuel political sensitivity about the US presence on Okinawa.

Last week, Mr Ryutaro Hashimoto, Japan's prime minister, averted a potential crisis over the issue by winning political backing to ensure US troops can stay on the island after next month.

The issue has become pressing because the troops' leases are due to expire in mid-May and the 3,000 Okinawan landowners are refusing to extend them.

By striking an alliance with the opposition New Frontier Party, Mr Hashimoto has won backing for a parliamentary bill that would allow the central government powers to overrule this local opposition. The move has deeply irritated Okinawans, whose resentment at the presence of US troops was fuelled by a rape by servicemen last year.

Mr Hashimoto sought to play down Mr. Cohen's remarks. But they were condemned by Mr Masahide Ota, Okinawan governor.

Unease was further fuelled by reports that Mr Cohen had warned that the US would maintain its force of 100,000 troops in south-east Asia for the foreseeable future even if Korea were reunited. Some 47,000 of these US troops are stationed in Japan, with two-thirds in Okinawa.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	11.8	6.5	6.82	8.39	3.12
1988	4.2	5.4	7.65	8.84	3.61
1989	1.0	4.2	8.99	8.50	3.43
1990	3.5	5.5	8.06	8.55	3.60
1991	6.0	3.7	5.87	7.86	3.21
1992	12.4	2.0	3.75	7.00	2.95
1993	11.8	1.2	3.22	5.86	2.78
1994	6.2	1.4	4.57	7.08	2.86
1995	–0.2	1.8	5.93	6.57	2.61
1996	–3.2	4.8	6.41	6.43	2.16
1st qtr.1996	–2.3	5.2	5.30	5.89	2.21
2nd qtr.1996	–2.4	5.4	5.42	6.70	2.18
3rd qtr.1996	–3.8	4.4	5.48	3.77	2.20
4th qtr.1996	–4.6	4.6	5.45	6.35	2.02
April 1996	–2.3	5.8	5.39	6.50	2.20
May	–2.4	5.4	5.39	6.72	2.18
June	–2.4	5.0	5.48	6.90	2.17
July	–3.2	4.7	5.53	6.85	2.25
August	–3.9	4.4	5.42	6.62	2.18
September	–4.2	4.3	5.52	6.82	2.18
October	–4.9	4.4	5.43	3.54	2.08
November	–4.7	4.7	5.41	6.16	2.00
December	–4.3	4.9	5.50	6.29	1.99
January 1997	–3.8	4.8	5.47	6.56	1.90
February	–3.5	4.9	5.40	6.42	1.84
March			5.55	6.70	1.87

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.8	5.31	5.16	0.48
1990	2.6	8.5	7.82	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	–0.4	4.28	5.24	1.00
1993	3.0	1.4	2.83	4.16	0.67
1994	5.4	2.9	2.12	4.20	0.76
1995	8.2	3.2	1.12	3.39	0.86
1996	13.7	3.1	0.48	3.03	0.75
1st qtr.1996	15.5	3.1	0.49	3.16	0.76
2nd qtr.1996	15.7	3.8	0.49	3.24	0.72
3rd qtr.1996	13.4	3.5	0.51	3.11	0.75
4th qtr.1996	10.8	3.1	0.42	2.62	0.77
April 1996	15.3	3.0	0.49	3.23	0.71
May	15.5	3.3	0.52	3.28	0.72
June	16.3	3.8	0.46	3.19	0.71
July	14.3	3.7	0.55	3.27	0.74
August	13.8	3.7	0.53	3.14	0.76
September	12.2	3.5	0.43	2.91	0.76
October	11.0	3.7	0.43	2.75	0.76
November	10.8	3.3	0.42	2.62	0.77
December	10.0	3.1	0.42	2.48	0.80
January 1997	10.0	3.2	0.43	2.49	0.86
February	10.0	3.0	0.44	2.44	0.88
March			0.46	2.36	0.89

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	9.0	7.3	4.03	3.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	8.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.1	8.2	9.52	7.80	2.45
1993	8.4	7.8	7.28	6.47	2.11
1994	6.8	9.0	5.36	6.86	1.77
1995	3.7	0.0	4.53	6.82	2.00
1996	10.4	7.8	3.31	6.21	1.81
1st qtr.1996	9.3	6.0	3.45	3.17	1.88
2nd qtr.1996	10.5	7.8	3.33	6.47	1.87
3rd qtr.1996	10.8	8.8	3.27	6.34	1.81
4th qtr.1996	11.1	3.6	3.16	5.89	1.68
April 1996	10.6	7.6	3.33	6.39	1.88
May	10.4	6.1	3.29	6.45	1.87
June	10.4	7.8	3.38	6.57	1.84
July	11.3	8.7	3.38	6.48	1.85
August	10.9	8.5	3.29	6.30	1.81
September	10.3	7.9	3.12	6.23	1.76
October	11.9	8.2	3.12	6.00	1.73
November	10.0	8.2	3.16	5.86	1.69
December	11.3	7.8	3.23	5.79	1.81
January 1997	11.1	6.7	3.14	5.79	1.55
February	10.1	7.4	3.16	5.58	1.50
March			3.26	5.76	1.49

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.1	11.5	8.63	9.46	2.75
1988	3.9	8.3	7.84	9.08	3.69
1989	7.5	10.0	9.40	8.79	2.88
1990	3.8	8.3	10.32	9.92	3.19
1991	–4.9	2.4	9.62	9.03	3.58
1992	–0.2	5.4	10.36	8.57	3.55
1993	1.6	–2.2	8.55	6.75	3.21
1994	2.8	0.7	5.84	7.21	2.99
1995	8.4	4.8	6.60	7.53	3.17
1996	–0.7	–2.9	3.94	6.32	3.05
1st qtr.1996	7.1	3.9	4.47	6.55	3.10
2nd qtr.1996	7.0	1.2	3.96	6.51	3.02
3rd qtr.1996	5.1	–1.1	3.86	6.35	3.16
4th qtr.1996	–0.7	–2.9	3.48	5.85	2.92
April 1996	4.5	2.0	4.00	6.51	3.02
May	5.8	2.0	3.90	6.46	3.01
June	7.0	0.7	3.98	6.56	3.02
July	4.8	–0.0	3.84	6.46	3.15
August	6.9	–0.4	3.98	6.35	3.20
September	5.0	–1.0	3.75	6.24	3.13
October	5.8	–0.6	3.51	5.97	3.00
November	6.9	–0.7	3.47	5.84	2.90
December	–0.9	–2.6	3.44	5.75	2.85
January 1997	0.6	–3.2	3.35	5.69	2.71
February			3.33	5.39	2.62
March			3.36	5.59	2.63

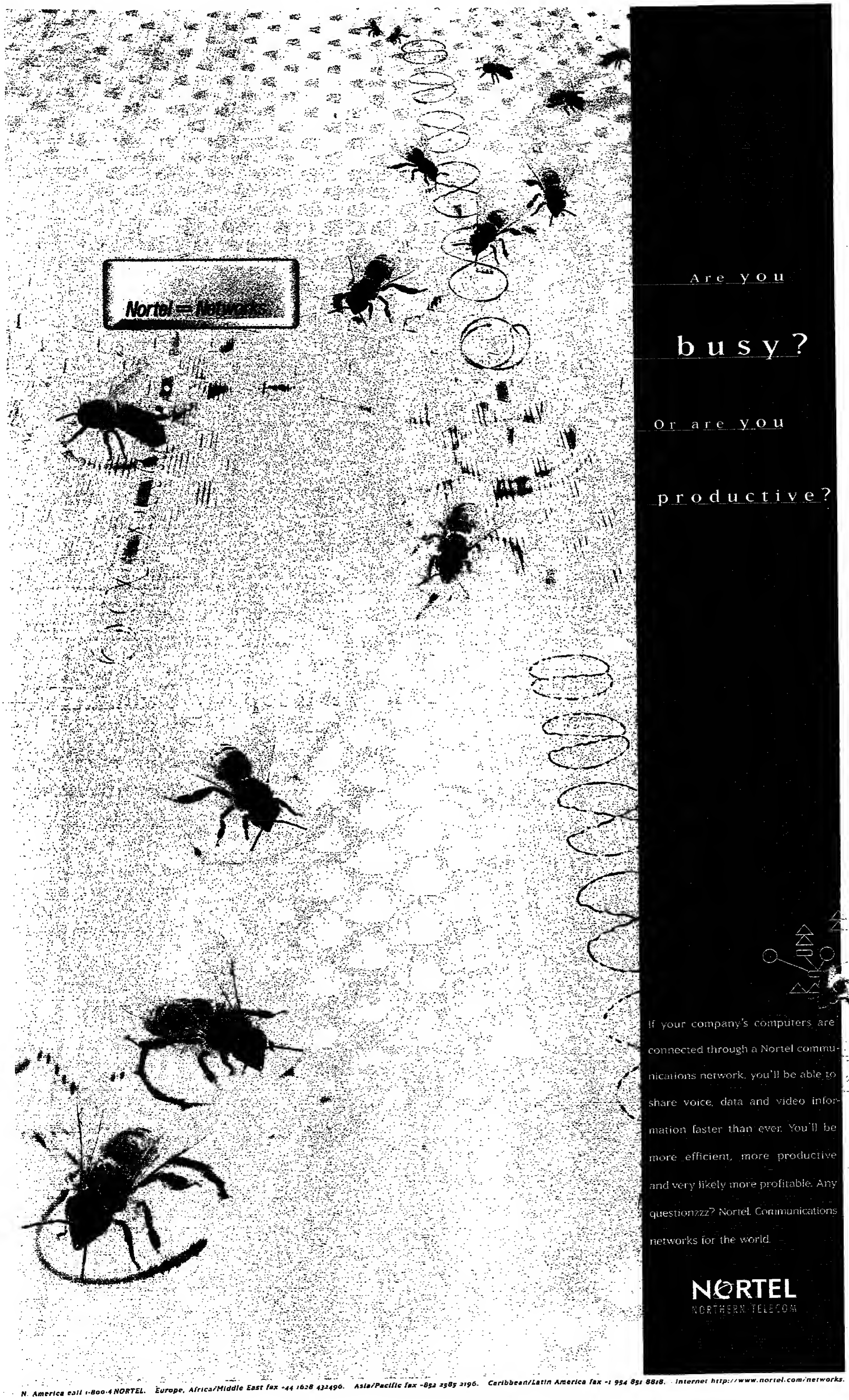
ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.4	6.6	11.32	10.58	1.94
1988	7.8	6.7	11.24	10.54	2.71
1989	7.2	9.2	12.42	11.61	2.46
1990	9.3	10.1	11.98	11.87	2.84
1991	7.3	8.5	11.83	13.20	3.45
1992	6.9	7.7	13.86	13.29	3.63
1993	4.7	7.4	10.22	11.23	2.35
1994	6.8	5.1	8.48	10.56	1.67
1995	0.2	0.4	10.38	12.22	1.72
1996	0.9	3.3	8.75	9.43	2.19
1st qtr.1996	–0.8	2.5	9.86	10.57	1.74
2nd qtr.1996	–0.7	3.6	9.01	9.89	2.24
3rd qtr.1996	1.4	4.1	8.59	9.36	2.49
4th qtr.1996	3.5	2.9	7.52	7.99	2.28
April 1996	–1.8	2.6	9.52	10.35	2.14
May	–0.5	3.8	8.84	9.72	2.25
June	0.2	4.4	8.65	9.59	2.33
July	0.8	4.3	8.66	9.45	2.46
August	1.8	4.4	8.70	9.50	2.48
September	1.9	3.7	8.39	9.19	2.53
October	3.0	3.5	7.98	9.33	2.33
November	3.6	2.7	7.40	7.72	2.28
December	3.6	2.3	7.16	7.58	2.24
January 1997	7.4		7.20	7.49	1.99
February			7.29	7.15	1.86
March			7.39	7.71	2.05

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.7	15.2	9.77	9.69	3.60
1988	6.8	17.3	10.41	9.62	4.46
1989	5.9	17.6	13.96	10.11	4.36
1990	5.3	16.1	14.82	11.56	5.07
1991	2.4	7.9	11.58	10.08	4.97
1992	2.4	6.1	9.74	9.09	4.91
1993	4.9	3.5	5.99	7.40	4.01
1994	6.4	5.1	5.57	8.01	3.94
1995	5.9	7.2	6.77	8.16	4.15
1996	6.7	10.0	6.11	7.79	4.06
1st qtr.1996	5.9	10.1	6.28	7.72	4.15
2nd qtr.1996	3.5	6.6	6.06	8.06	4.08
3rd qtr.1996	7.2	9.5	5.83	7.85	4.13
4th qtr.1996	7.3	10.3	6.28	7.54	3.96
April 1996	5.8	10.0	6.09	8.05	4.02
May	6.4	9.8	6.12	8.09	4.08
June	7.4	9.9	6.94	8.05	4.15
July	7.1	9.1	5.80	7.91	4.21
August	7.4	9.6	5.84	7.82	4.12
September	7.0	10.1	5.87	7.81	4.08
October	7.4	10.6	3.02	7.51	3.93
November	7.4	10.9	6.40	7.56	4.01
December	7.0	9.6	6.42	7.55	3.95
January 1997	7.2	10.0	6.41	7.53	3.83
February	6.4	11.2	6.29	7.17	3.73
March			6.32	7.44	3.80

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.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NEWS: WORLD TRADE

Hanoi urged to speed up trade reform

By Jeremy Grant in Hanoi

US treasury secretary Robert Rubin yesterday urged Vietnam to speed economic reforms, remove obstacles to foreign investors and adopt more open trade practices.

He played down expectations of early progress on a trade pact between the two countries. That would take time because of complex government procedures in the US and the need for Hanoi to make "substantial commitments to open markets".

Speaking at a conference in Hanoi, Mr Rubin said the signing of a $145m debt deal bad cleared a burdle to further progress on economic normalisation between the former enemies. But work was needed on creating a legal framework for the private sector, reduction of tariff and non-tariff barriers and ensuring foreign business obtains the same treatment as local business.

"There is a lot Vietnam can do – and do quickly," he said. "I worked for a Wall Street investment firm for 26 years and I often helped companies decide where to invest. (For Vietnam) to compete effectively for its share of global investment, it must address those issues of concern to international investors."

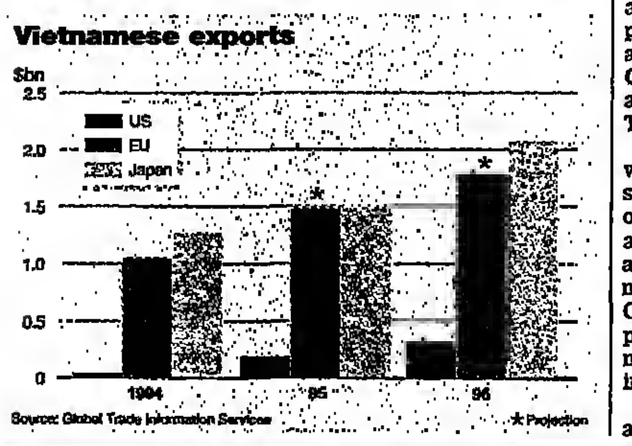
Washington and Hanoi are working on an all-embracing trade pact that would clear the way for the US to grant Vietnam Most Favoured Nation (MFN) status. Hanoi wants MFN because it would boost its exports to the US market, helping to cut its bulging trade deficit.

Mr Rubin would not predict wben MFN might be awarded, nor when a trade deal could be signed. A US trade delegation is due in Hanoi next week to start talks on a draft text. That, the US hopes, will prepare Vietnam for eventual membership of the World Trade Organisation, for which it applied last year.

However, progress may be slow. Stiff opposition to tariff cuts is likely to come from entrenched interests in Vietnam's state-owned companies, which fear exposure to competition.

Many have close political connections to conservatives in the Vietnamese administration who oppose closer ties with the US for ideological reasons. In a reference to the problem, Mr Rubin warned against trying to "preserve industrial behemoths behind tariff walls".

However Mr Le Van Bang, Vietnam's ambassador-designate to Washington, said: "I think we're trying our best to accommodate some of the requirements from the US. There are some people wbo still think of Vietnam as a war. We have to get over that syndrome."



Fears grow over French plans for Airbus

By Michael Skapinker, Aerospace Correspondent

Is France reneging on its commitment to turn the Airbus Industrie consortium, the world's second biggest aircraft maker, into a focused, profit-oriented company?

German and British aircraft industry executives are concerned over reports last week that Aerospatiale of France wants to retain control of its factories and researcb establishments wben Airbus is turned into a limited company.

Although they were quick to say in public that they thought any differences with the Frencb could be resolved, privately, they are less sanguine. "We're very worried," said one senior manager.

They fear that Aerospatiale is turning its back on plans, agreed earlier this year, to turn Airbus into a fully integrated manufacturer by 1999.

Airbus – owned by Aerospatiale, Daimler-Benz Aerospace (Dasa) of Germany, Britisb Aerospace and Casa of Spain – is a *Groupement d'Intérêt Economique*. This means it does not make profits or losses in its own right or publish accounts.

Aircraft manufacturing is carried out by the four partners in their own factories. The Airbus senior management, with headquarters in Toulouse, is responsible for sales, marketing and customer support.

In a memorandum of understanding, signed in Janoary, the four partners agreed to end the GIE system and turn Airbus into a single company which could compete on equal terms with Boeing of the US, the world's biggest aircraft maker. The cbange was given added urgency by Boeing's announcement in December that it planned to take over McDonnell Douglas, also of the US.

Dasa and BAe argue that a fully integrated Airbus company, in control of its own factories, would have several advantages. As a larger, combined entity it would be able to purchase components and materials more cheaply. It would be able to respond more effectively to airlines' problems. At present Airbus managers in Toulouse have to talk to the partners' factories about problems, which can take time. With all factories under the same management, the new Airbus would also be able to reduce the time taken to build new aircraft.

Tbe Aerospatiale argument against integrating all the factories into Airbus is that the existing system works. Since its start in 1970, Airbus has won well over a third of the world civil aircraft market. It has been technically innovative, introducing fly-by-wire electronic control systems long before Boeing did.

European aerospace executives suspect there are other reasons for Aerospatiale's reluctance to see fundamental change at Airbus. They believe the French government fears that France's influence in a supra-national Airbus would be diminished and that manufacturing might be moved to lower-cost countries.

France is consolidating its aerospace and defence sector. Thomson-CSF, the defence electronics group, is being privatised. Aerospatiale is being merged with Dassault Aviation.

The French government has shown its determination to ensure that this consolidation remain in the hands of its nationals. It last week rejected a bid for Thomson-CSF by the General Electric Company of the UK.

With a larger, integrated French aerospace and defence industry, France believes it will be in a stronger position to negotiate with its Airbus partners. The worry for the partners is that this will provide additional time for Boeing to strengthen its domination of the world aircraft industry.

● Saab, the struggling Swedish aircraft manufacturer, is preparing to take a 5 per cent stake in the superjumbo airliner planned by Airbus.

Saab said yesterday it would participate in the A3XX's concept stage, expected to last for about one year. It would then decide whether to become a risk-sharing partner for areas of the main fuselage.

Clinton in Latin America 'slow track'

Congress caution on trade threatens to disadvantage US in its back yard, writes **Nancy Dunne**

This was supposed to be "the year of Latin America" for President Bill Clinton. Three forays across the southern US border were planned as he picked up the reins on trade liberalisation, dropped for electioneering purposes.

But like most US policy this ambitious plan to move the hemisphere towards free trade by 2005 is now caught in the grip of a Washington pre-occupied by scandal over campaign finance and factionalism in both parties.

When the president's missions were delayed last month by a knee injury, Latin American diplomats and US officials hoped the postponement would provide an opportunity to persuade Congress to go ahead with an Americas-wide Free Trade Agreement.

But the delay bas not been without cost. US companies say they are losing business or are forced to manufacture abroad because the Clinton administration, lacking negotiating authority from Congress, has been unable to participate in the growing number of trade negotiations in tba region.

"Our national leaders have abandoned tha fight for free trade," said one business lobbyist. "There has been no Clinton speech on trade since Nafta (the North American Free Trade Agreement). The administration has got to get out front."

The administration promised to bring Chile into the Nafta grouping of the US, Canada and Mexico three years ago, but has been unable to proceed without trade negotiating authority.

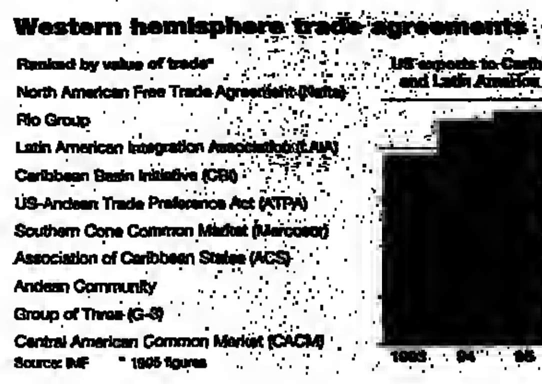
Ms Charlene Barshefsky, US trade representative, is to meet House members this week to persuade them to give tbe administration so-called "fast-track" trade authority to get on with the job. Under "fast track" a majority in both houses must agree that any trade deal brought back to Congress for consideration will be voted for or against, but not amended.

Mr Richard Gephardt, the House Democratic leader, and most party members believe free trade pacts, such as Nafta, provide big profits and cheap labour for multinationals but fail to raise living standards in the countries where they set np production. They bold trade responsible for lost US manufacturing jobs and stagnant wages in the US.

Mr Gepbardt – and his allies in the labour movement – are demanding strong labour and environment provisions in any new trade deals. They want to be able to have trade sanctions against countries that do not uphold basic labour and environmental standards. For the past three years, Republicans – backed by husiness – have stymied any attempt to include them.

Ms Barshefsky will try to find language on environment and labour whicb would allow enough members from both sides to agree. She appears to be ready to argue that the administration will negotiate labour and environment deals "where appropriate" but may not seek authority for that in a "fast track" measure.

Chile, for example, bas sbown little resistance to labour and environment provisions. However, because Nafta is so unpopular, the US and Chile may well decide to pursue a hilateral deal. The most recent hlot on the Nafta agreement was caused last week by more than 180 cases of hepatitis traced to strawberries grown in Mexico and served in US school lunches.



Ms Barshefsky will try to keep the argument away from Nafta and focused on the danger of US ahsence from the bargaining table.

"Our competitors would like nothing better than for us to sideline ourselves, debating Nafta and our relationship with Mexico for several more years while they move ahead," she told the House Ways and Means subcommittee last month. "It would be a serious, self-inflicted wound. America is poised to seize great opportunities. Our competitors cannot beat us; we can only lose by removing ourselves."

Mercosur, the largest economy in Latin American consisting of Argentina, Brazil, Paraguay and Uruguay, has agreements with Chile and Bolivia and is discussing pacts with several of the Andean and Caribhean Basin countries, she said.

Chile has deals witb Mexico, Colombia, Venezuela, Ecuador and Canada and plans new talks in central America. Mexico wants to he the commercial huh between North and South America, while reaching out for free trada deals with Europe and Asia.

"As these various agreements are being negotiated without American participation, they are being concluded in a way to leava the US interests out," said Mr Larry Liebenow, president of Quaker Fahric Corporation of Fall River, Massachusetts.

His company has had "enormous benefits" from Nafta, achieving a one-third penetration of the Mexican upholstery market. However, its sales to Brazil and Argentina have auffered from changing rules and sudden duty increases.

US companies and officials are particularly concerned about EU manoeuvres in the US backyard, and a proposed trade deal between the EU and Mercoaur. Thay are alarmed by the current visit of Sir Leon Brittan, the EU trade commissioner, to Latin America and worried he will negotiate exclusionary trade deals which are not consistent with WTO rules.

"We are already competing against European mills in Latin American," said Mr Liebenow. "We can be left in tha dust."

● Mexico has bowed to EU insistence on a human rights clause in a trade deal between them and negotiations for a final agreement will begin in June, Mr José Angel Gurria, foreign minister, said yesterday, Reuter reports from Noorwijk.

NEWS: INTERNATIONAL

France broadens African policy focus

Fresh opportunities make up for setbacks in francophone countries, says **David Buchan**

France appears to he modifying its policy towards Africa under the combined impact of recent events in Zaire, French military restructuring, tbe pressures on France's own development aid, and new opportunities in the non-francopbone part of the continent.

If France is now broadening its policy focus, and French ministers are devoting more attention to anglophone Africa and in particular to South Africa, this is partly to compensate for setbacks to French influence in Zaire, Rwanda and Burundi, once ruled by Belgium.

But even among its own former colonies – of which 14 share a currency link witb France and six (including Dijbouti) have defence agreements with France – Paris is now behaving less exclusively.

Being the main provider of economic and military assistance to these countries no longer seems possible or desirable.

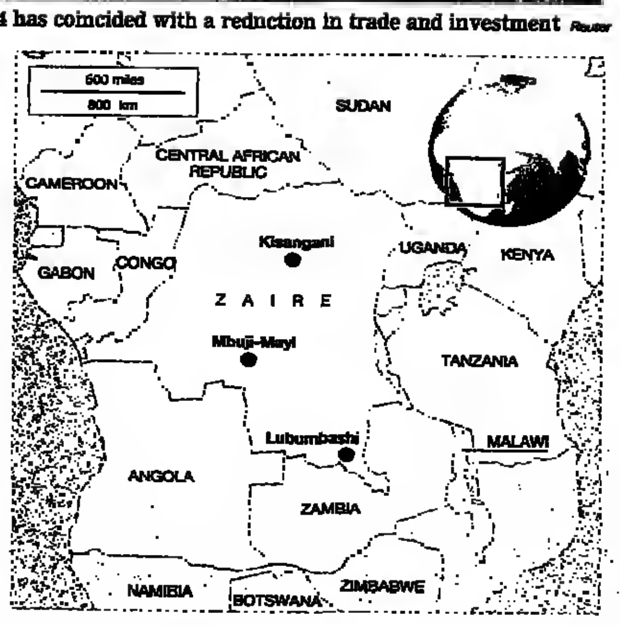
France bas resolved the policy quarrels it had with the International Monetary Fund and the World Bank in the late 1980s, and is now bappily working hand in glove with them to belp west and central Africa. In the Central African Republic which had three army mutinies in 1996, Paris is delighted that troops from neighbouring countries have now taken over policing from locally-based French soldiers in Bangui.

The French government is still reluctant to admit it backed a loser in President Mobutn Sese Seko, on the grounds that he cannot be said to have lost while his negotiations with the rebel leader, Mr Laurent Kabila, continue.

However, Mr Francois Léotard, leader of the junior coalition partner in the Frencb government, complained that the twist of events in Zaire had produced a "triple failure" for France: tactically, because Mr Kabila was backed by the US and anglophone African countries; morally, because France had given the impression of supporting the "discredited" Mr Mobutu to the end; and geopolitically, because Zaire was "an essential element to the Frencb presence on the continent".


Pulling out: the French army's withdrawal from Zaire in 1994 has coincided with a rednction in trade and investment Reuter

> The twist of events in Zaire had produced a "triple failure" for France: tactically, because Mr Kabila was backed by the US and anglophone African countries; morally, because France had given the impression of supporting the "discredited" Mr Mobutu to the end; and geopolitically, because Zaire was "an essential element to the French presence on the continent" - *François Léotard*



In fact, France has a very slender economic stake in Zaire. At FFr400m ($71m) last year, two-way French trade witb Zaire was a third of its 1990 level and far behind that of Belgium and the US, as is Frencb investment in the country. But Mr Léotard was highlighting the strong French preoccupation about the impact of the possible break-up of Zaire on its many neighbours.

One of these is the Congo, whose capital Brazzaville is just over the Zaire river from Kinsbasa. Some Frencb troops are currently there, in case they need to evacuate tba 1,600 Frencb in Zaire. "But what would happen if the 5m Zaireans who live in Kinsbasa decided to move across the river?" asked one Frencb official.

However, a break-up of Zaire conld affect other neighbours, and this bothers the French, in the context of their new, wider focus on Africa. Hence, French pressure for an international conference on the Great Lakes region of Africa, to try to establish some basic principles. Ons of these, said another French official, was: "Countries sbould not back armed rabels against another power". Though now working in tandem with Washington in supporting the Zairean nagotiations, French officials remain irritated, and a little bitter, at what they claim is evidence that the US had earlier armed and trained Mr Kabila through Uganda.

France also plans more sparing use of its own military forces in Africa. It does not plan to renegotiate or denounce any of the defence agreements with Dijbouti, Central African Repnblic, Cbad, Gabon, Ivory Coast and Senegal that all date from 1960. But it will almost certainly reduce the total of 8,200 men it bases on African soil, as it creates a smaller, fully professional Freoch army. The latter would rely more on flying reinforcements to Africa, using transport and communications not available in 1960.

However, even small numbers of French troops, ostensibly based to protect countries only from external aggression, can get dragged into internal conflicts. After army mutineers in Bangui recently killed two French soldiers, and French troops beavily retaliated mostly against civilians, Mr Lionel Jospin, the opposition Socialist leader, complained that France was trapped in a combination of "interference and powerlessness".

While complaining that the Central African Repubic army is particularly ill-disciplined, French officials concede that army mutinies have become a general problem in Africa, aggravated by IMF and World Bank programmes that seek to restrain or cut government payrolls, including that of the military.

Paris has therefore sought to impress on the international institutions the need to act carefully and flexibly. In Chad, which has a particularly big army, France has co-financed with the World Bank a programme to demobilise and retrain some 27,000 soldiers over the past two years.

However, the big success for co-operation hetween Paris and the Bretton Woods bodies was their joint push for the January 1994 devaluation of the CFA (for Communauté Financière Africaine) franc used by 14 west and central African countries.

This long overdne adjustment from a rata of 2 French centimes set in 1948 to 1 centime unleashed export potential that saw growth among the CFA-users surge to an average of 5 per cent in 1995, and to 6 per cent last year. Inflation also rose to 40 per cent in 1994, but slowed to 15 per cent in 1995 and 5 per cent last year, still leaving the CFA countries with a substantial gain in competitiveness.

Before 1994 only three of the 14 CFA countries had programmes with the IMF and World Bank; now 10 do and the other four are negotiating them. A standard feature of these is the requirement to privatiae state companles or services hy competitive tender.

Despite rivalry from US companies in telecommunications and Asian groups in forestry, French companies have won many of these tenders. But they can no longer regard francopbone Africa as their protected patch.

INTERNATIONAL NEWS DIGEST

Pollution's $500bn promise

Governments should do more to encourage sales of technology to control pollution and improve the environment, according to United Nations studies to be published tomorrow. The studies say the market for such goods and services could more than double to $500bn by 2000.

One of three studies commissioned hy the UN Development Programme urges governments to spread information about investment opportunities in the environmental field, and better enforce environmental laws and regulations.

Another of the studies recommends setting up an International Bank of Environmental Settlements to belp channel funds to poorer countries needing help for environmental improvements.

The UNDP estimates that, by 2000, aroond $500bn a year will be spent on pollution-control goods and services simply to comply with environmental regulations.

It adds that much of the $1,000bn needed for new power-generation capacity in developing and former communist countries by 2000 will be spent on developing renewable energy supplies.

It says another $250bn will be absorbed in energy efficiency projects over the next 20 years. It expects a global market for electric vehicles to grow from virtually zero to $2.5bn by 2000.

Industrialised countries at present account for 67 per cent of global environmental sales. *Leylo Boulton, London*

Iran to sue over chemical arms

Iran said yesterday it would sue 24 German companies for providing Iraq with chemical weapons or technology during its 1980-1988 war against the Islamic republic. Mr Mohammad-Reza Ahbasi-Fard, deputy head of the judiciary for executive affairs, said the defendants would be called to appear in a Tehran court sbortly, but did not give a date.

The official said more than 1,000 relatives of the victims of chemical attacks during the war had filed complaints against the German companies for giving Iraq "chemical weapons, poisonous gas or the technological knowhow for producing such arms."

His remarks came as a Berlin court prepared to issue a verdict on Thursday in the murder trial of four Iranian Kurdish opposition figures in which Iranian leaders have been implicated.

Relations between Iran and its main trade partner, Germany, have been strained over the trial of an Iranian and four Lebanese nationals accused of gunning down the Kurds in a Berlin restaurant in 1992.

Bonn has acknowledged that German companies were involved in building chemical plants in Iraq in the early 1980s but says tha assistance was intended for agricultural purposes, although the factories were later modified by Baghdad to produce material for military use. *AFP, Tehran*

Terror threat to US forces

US military forces in Bahrain have been asked to refrain from congregating in bars, restaurants and other public places after renewed threats of terrorism against American officials.

Security has been tightened for the more than 20,000 US military forces in the Gulf since last June's bombing of the Dhahran housing complex in Saudi Arabia that claimed the lives of 19 US airmen. *AP, Washington*

Chrétien and Clinton seem set to play down problems

US, Canada to underline friendship

By Bruce Clark in Washington and Scott Morrison in Vancouver

The US and Canada will play down a host of bilateral problems and proclaim the need for joint action in global affairs when Mr Jean Chrétien, tha Canadian prime minister, visits tha White House today.

While Mr Chrétien and President Bill Clinton meet frequently at international aummits, this is the first time tbe Canadian laader has made a full official trip to Washington since taking office three years ago.

The two countries, whose bilateral trade amounts to more than $1bn a day, celebrated their generally smooth relationship yesterday by sealing an agreement to eliminate all toxic matter from the Great Lakes. But an agreement on air pollution fell short of Canadian hopes for a binding US commitment to halve the emission of smog-creating substances by 2010. The US administration is undar strong domestic pressure to soften its policy on clean air.

The visit comes three weeks after Canada said Washington's behaviour had "reached an all-time low" in barring from US tarritory four directors of Sherritt, a Canadian company which mines nickel in Cuba. The sanction against Sherritt was imposed under the Helms-Burton law, which penalises companies that do business with Cuba and has prompted an angry reaction from both the European Union and Canada.

But observers believe the two leaders will aoft-pedal this dispute, along with arguments over Canada's effort to protect its cultural heritage and media, and focus instead on pan-American and global issues such as UN reform, China and the former Soviet Union.

Canada is a strong advocate of boosting the UN'a peacekeeping capacity, and has kapt troops in Haiti since the US withdrawal. It is also a keen supporter of aid to Ukraine, where many Canadians have roots.

"For the first time, the US and Canada will be concentrating on burden-sharing in international affairs," said Mr Chris Sands, an analyst at the Centre for Strategic and International Studies in Washington. While hoth sides will lay out their positions for the sake of domestic audiences, disputes over Cuba would be kept within limits because "each sida realises the other has very little room for manoeuvre", Mr Sands said.

In the latest "cultural" dispute, Canada has appealed against a World Trade Organiaation dacision upholding the right of magazines with US editorial content, but Canadian advertising, to compete freely againet purely Canadian publications.

The US and Canada have also clashed over Canada's unwillingness to give US satellite broadcasting companies unfettered access to Canadian homes. Bnt Canada has indicated that it is prepared to reopen talks on this issue after the next election. Mr Chrétien is expected to ask the US administration for more time to handle sensitive cultural issues.

The trip coincides with speculation that Mr Chrétien will call an election in Juna – trading in part on the photo opportunity provided by his White House visit.

'Category killers' in spotlight

Richard Tomkins on hints of a new, harder US anti-trust line

Office stationery is not normally a topic to set the pulse racing, but it is causing a furore in the US following a decision by anti-trust regulators to challenge a $3.8bn merger between the two biggest office superstore chains.

Busineas leaders have been left wondering whether the move marks a toughening-up of anti-trust policy: and, if the courts allow tha decision to stand, how far it will affect Wall Street's record levels of merger and acquisition activity.

The companies at the centre of the row are Staples and Office Depot, two of the three big US office superstore groups. Last September, they announced plans for the retailing industry'a biggest merger since Federated Department Stores, owner of the Bloomingdale'a chain, bought the R.H. Macy department store group for $4.1bn in 1994.

Staples and Office Depot believed they had little to fear from the competition authorities because the combined companies wonld control less than 6 per cent of the $185bn-a-year market for office supplies. But the deal ran into tronble in March when the Federal Trade Commission said it would go to court to block it.

Within days, Staples and Office Depot acted on a plan they had previously discussed with FTC staffers: they sold 63 stores to OfficeMax, the other big office superstore group, at a firesale price of $109m. They thought that would seal the deal – but on Friday, the FTC stunned the retailing industry by announcing that it was taking the merger to court anyway.

One fundamental disagreement between the companies and the FTC concerns the definition of the market the companies serve. While tha companies say they control only a tiny share of the US office supplies market, the FTC says their merged company would dominate a distinct segment of the office eupplies market served by office superstores.

The companies say a merger would allow them to make "enormous" cost savings that would be passed on to consumers in the form of lower prices. But the FTC says the merger would redoce competition in more than 40 local markets around the US, and studies show that cities with only two office superstores have much higher prices than cities with three.

Mr William Baer, director of the FTC's competition bureau, said: "If the merger is allowed to proceed, consumers will pay millions of dollars more for their copy paper, envelopes, pens and file folders."

The FTC's intervention shocked Wall Street because it comes after a decade or so of relative docility by anti-trust regulators. The US appears to have taken the view that horizontal mergers are desirable if they make US industriea stronger and more competitive in today's increasingly global marketplace.

Althoogh regulators have occasionally intervened in mergers, business leaders have grown accustomed to the idea that they will almost always hack down if offered some kind of compromise – usually a minor divestment of some of the merged companies' assets.

Anti-trust lawyers do not believe that the regulators' attitude has suddenly changed – at least, not in relation to industries such as aerospace or pharmaceuticals, serving big international markets. But they do detect a shift in sentiment towards retailing, a domestic industry serving clearly defined geographical markets.

The regulators seem to be particularly concerned about companies known in US retailing parlance as "category killers" – businesses that specialise in a narrow prodnct category and succeed by overwhelming it with their sheer size and market clout.

Mr Phillip Proger, a partner of Jones Day Reavis & Pogue, a Washington law firm, says anti-trust regulators are responding to recent developments in economic theory about mergers of retail and consumer products companies with well-known names, and are deploying the so-called unilateral effects model to predict how individual companies such as these can exercise their market power after a merger.

"Clearly, the FTC is taking a much harder look at transactions involving brand names or consumar products," Mr Proger saya. "I think this transaction is evidence that the regulators are taking a hard look at whether the fixes we have aeen in the past are adequate, and this means that future settlements may be much harder to get through."

Rare intervention: where US regulators have recently stepped in

Date	Bidder	Target	Outcome
Dec 1994	BAT Industries	American Tobacco	In out-of-court settlement, BAT agreed to sell some small brands and a factory in return for FTC clearance.
Jan 1995	Boston Scientific	Cardovascular Imaging Systems and Sci-Med Life Systems	Boston Scientific agreed to license a specialist technology to competitors in return for FTC clearance.
Apr 1995	Microsoft	Intuit (software company)	Microsoft abandoned deal after the justice department said it would sue to block it.
Apr 1996	Rite Aid (drug store chain)	Revco (drug store chain)	Rite Aid abandoned deal after the FTC said it would sue to block it.

AMERICAN NEWS DIGEST

US retailers' profits rising

US retail companies reported sharply higher profits as a proportion of overall sales in the last three months of 1996, the Commerce Department said yesterday. Retailers registered after-tax profits of 2.4 per cent of their total sales, up from 2 per cent in the previous quarter.

But manufacturing companies recorded a decline in profitability in the fourth quarter of last year. Their after-tax profits were 6.1 per cent of sales, down from 6.5 per cent in the previous three months. In both sectors profits were substantially higher at the eod of 1996 than they had been a year earlier, bowever.

The annnal rate of return on shareholders' equity for retailers on an after-tax basis rose to 15.7 per cent, against 12 per cent in the previous three months. For manufacturers, the rate of return fell to 15.4 per cent from 18.4 per cent. *Gerard Baker, Washington*

Brazil cellphone bids

The Brazilian communications ministry said yesterday it had received bids from 15 groups for the so-called "Band-B" cellular telephone concessions it is selling.

Bids were received for all of the 10 regional concessions except for the area comprising several northern atates. The announcemeot of the eventual winners is expected to take up to 60 daya. The sale of the Band B concessions, which is expected to raise at least R$5bn ($4.8bn) for the government, is the first stage in the privatisation of the telecommunications industry. *Geoff Dyer, São Paulo*

Queries on Haiti poll turnout

Observers at Haiti's parliamentary elections over the weekend cast doubt yesterday on the accuracy of the ballot, which was marred by a low turnout.

Sunday'a elections, a referendum on President René Préval's austere economic plan, which is hated by most Haitians but is tied to tens of millions of dollars in foreign aid, could also clear the way for former President Jean-Bertrand Aristide to return in elections in 2000. Final results are not expected for 10 days.

The electoral council said there were areas with 30 per cent and 50 per cent turnout, but international observers and reporters doubted it was much more than 5 per cent.

US Republican party observers said at a news conference yesterday that they had seen election officials tampering with vote tally sheets in the capital. Port-au-Prince. *AP, Port-au-Prince*

Referendum on Ecuadorean presidency called

By Justine Newsome in Quito

President Fabian Alarcon of Ecuador has called a national referendum asking Ecuadoreans to ratify Congress's appointment of him until August 1998, and to approva political reforms.

Mr Alarcon wants Ecuadoreans to confirm in the poll, scheduled for May 25, that his government is legitimate and constitutional. Congress removed President Abdalá Bucaram, after two days of national protest against his government, on February 6, on the grounds of mental incapacity to govern and replaced him with Mr Alarcon, formerly Congress's own president. Polls show the move was popular inside Ecuador but it has been questioned, especially abroad.

Despite speculation that the "interim" president would also ask Ecuadoreans to extend his term to 2000, Mr Alarcon decided not to risk rejection by including this question in the referendum he announced on Sunday night.

About 60 per cent of the population believes he should go in 1998 (when new presidential and mid-term congressional elections will take place), reports the Market polling company. But he will strengthen his position by asking Ecuadoreans on May 25 to approve Congress's removal of Mr Bucaram and appointment of Mr Alarcon all in the same question. It will be impossible to reject Mr Bucaram without supporting his successor.

The refereodum also avoids the sensitive issue of Vice-President Rosalia Arteaga's term. Elected with Mr Bucaram in 1996 for a four-year term, Ms Arteaga, Ecuador's first female vice-president, claims she is the only member of this government with a popular mandate and should stay until 2000. However there have been calls for her to step down in 1998 to allow a new presidential and vice-presidential team to be elected together.

Otber reform proposals in the referendum aim to improve governability in Ecuador. They include measures to limit election campaign spending, prevent smaller parties with little historical support from participating in further elections, replace a party list system for election of congressmen by individual votes, and change the timing of congressional elections to accompany the second round of presidential elections, rather than the first.

Coopers & Lybrand questions 'quality and completeness' of information

Auditor qualifies Equitas accounts

By Christopher Adams, Insurance Correspondent

Auditors to the Equitas reinsurance group have qualified its first accounts, publisbad yesterday, because of doubts over the reliability of data necessary to assess the risks it faced. Equitas is the company which last year assumed the billions of pounds in financial risks which threatened to destroy the Lloyd's of London insurance market.

Auditors from Coopers & Lybrand, the accountancy firm, who examined the group's financial position questioned the "quality and completeness" of information used to calculate the assets it needed. Equitas said the data came from a wide range of sources, including Lloyd's insurance syndicates, but much of it was unaudited and some was of "poor quality".

The group added that closer scrutiny of the data might lead to a reassessment of its liabilities. It was not clear whether these would rise or fall. Thousands of investors in Lloyd's agreed last September to reinsure all of their losses into Equitas under a recovery plan which offered them the chance to quit the market free of future liability.

A group representing about 8,000 of the investors – individuals known as Names whose assets have traditionally backed Lloyd's – said it was "troubled" by the audit. "Reinsured Names need as much reassurance as they can get and heavily qualified accounts do nothing to help," said Sir David Berriman, chairman of the Association of Lloyd's Members.

Coopers felt it was unable to give an unqualified opinion because it did not have access to all of the information it would normally require. It did not say it disagreed with the accounting practice of Equitas and did not issue a disclaimer.

The accounts showed that Equitas bad a cash surplus of £588m ($934.9m) after receiving an £11.2bn premium to reinsure all of Lloyd's losses for 1992 and prior years. The surplus was lower than anticipated as the group took a £122m charge because assets transferred from syndicates were undervalued.

Mr David Newbigging, chairman of Equitas, said the need to "validate" information supplied by syndicates should not be interpreted as criticism of a reserving project which took three years to complete. He stressed there was no reason to believe that the data were wrong or any information missing. Equitas hopes it will be able to improve the quality of the information it has collected with an electronic "data warehouse" expected to come online this summer.

Coopers also noted that the unpredictable nature of the risks facing Equitas fuelled uncertainty, with future claims likely to differ from estimated liabilities "potentially to a material degree". Around 40 per cent of claims are likely to stem from policies insuring "long-tail" pollution, asbestos and health hazard risks in the US.

Premier travels to race in spite of security risk

Major defiant after IRA forces rescheduling of 'institution'

By James Blitz at Aintree racecourse

Mr John Major, the prime minister, yesterday delivered a striking gesture of defiance to the Irish Republican Army by arriving at Aintree racecourse in north-west England minntes before the start of the rescbeduled Grand National.

His last-minute decision to go to Aintree was shrouded in secrecy throughout the day and the trip itself was one of the most bizarre that can ever bave been conducted by a political leader during a general election campaign. It required Mr Major and his wife, Norma, to condnct a zigzagging 1,500km air journey the length and breadth of England to disguise their true intentions from the terrorists.

Talking to reporters on the course, Mr Major said he was delighted to be visiting Aintree two days after the race was scuppered by a boax call from the IRA. "The message to the IRA is that you can't bomb the British out of their national institutions. You can't bomb the Britisb out of Northern Ireland and you can't bomb Northern Ireland out of the UK," Mr Major said.

The prime minister's day of travel started wben his entourage flew by plane from London to Manchester airport in northern England.

By midday, he had completed a scheduled visit to a nearby hospital, but his aides were still rejecting all suggestion of a trip to the race. Instead, the Majors boarded their 11-seat belicopter and made a one-and-a-balf-hour flight down to Andover in the south.

Mr Major paid a brief and scbeduled visit to an Andover engineering factory. But within 25 minutes of his arrival, he was climbing back on to the helicopter at a secluded soccer pitch. Security had been sufficiently stretcbed to allow half-a-dozen teenagers on to the pitch as be boarded the plane. "There's only one Tony Blair," they chanted merrily, referring to the Labour party leader.

Two hours later, the prime minister was back in the nortb-west at the Aintree racecourse to see Lord Gyllene pass the winning post.

● Bombs planted on the M6 motorway in tbe English Midlands last week contained a total of almost 2kg of commercial explosives, police said yesterday. Officers added that the IRA had admitted responsibility. The bombs, which failed to explode, caused widespread traffic disruption after a coded warning was sent to two hotels. Detectives said yesterday that the substance in the bombs was probably Semtex.

Election campaign, Page 10

Reuters

Looking ahead: John Major watching the rescheduled race yesterday

'Green' agenda adopted by City

By Leyla Boulton, Environment Correspondent

The City of London has set np an environmental strategy-making body to raise "green" awareness and performance, Miss Judith Mayhew, bead of the policy committee of the Corporation of London, the municipal authority for the City, has disclosed. "New York or Tokyo bave nothing like this," she added.

Ms Tessa Tennant, a member of the new Environment Forum and bead of ethical investment at National Provident Institution, said there were two main ways the City could develop a "competitive advantage" on the back of concern for the environment.

First, it could continue work to weave environmental considerations into the businesses working within it – for instance by further enhancing the financial sector's understanding of risk to inclnde environmental considerations.

Second, the City conld increase its attractiveness as a place to work by improving its environment – for example, by improving public transport to rednce traffic and pollution.

"If the Tube's [Underground railway] Central Line keeps seizing up with frightfully well-paid people trying to get to work on it, that's not very good for London," she said.

A 25-member steering committee, which met for the first time last month to launch the forum, represents a cross-section of interests. Representing the insurance sector were Lord Jenkin, chairman of Friends Provident; Ms Tennant; and Lloyd's of London. Banks such as National Westminster were also present.

Miss Mayhew said subcommittees would research links between environmental considerations and specific areas such as accounting standards, investment choices and insuring risk.

UK NEWS DIGEST

Shift on curb for bank chiefs

Sir Andrew Large, chairman of the Securities and Investments Board, the City of London regulator, indicated yesterday that it was unlikely to back proposals to make directors of failed investment banks prove they were not guilty of mismanagement. The SIB is thought to regard a plan by the Securities and Futures Authority, the regulator which handles complaints against stockbrokers, to reverse the "burden of proof" on senior directors in the most serious cases of management failure as being vulnerable to legal challenge.

There have been strong protests from bodies representing investment banks about the SFA's proposal, which was part of an attempt to tighten sanctions on senior managers after the collapse of the Barings merchant bank in 1995. The SFA has postponed a decision on what rules to put into force pending a consultation by the SIB. Sir Andrew said that the SIB was likely to publish a discussion paper shortly. The SIB's main reservation about the SFA proposal to place the burden of proof on senior bank directors is that it goes against the principle of being innocent until proven guilty, and could be challenged in court.

John Gapper

■ THE ECONOMY

Financial sector increases staffing

The UK financial sector has increased overall staff levels for the first time since September 1995, according to a survey by the Confederation of British Industry, the biggest employers' lobby, and Coopers & Lybrand, the accountancy firm. The study, published yesterday, shows that 38 per cent of financial firms increased staff numbers during the first three months of the year while 27 per cent reduced employment, leaving a positive balance of 11 per cent. In the previous three months there was a negative balance of 9 per cent and a year before a negative balance of 29 per cent. The survey found that securities traders and fund managers experienced the biggest increases while general insurers and insurance brokers reported the biggest falls.

Wolfgang Münchau

■ NORTHERN IRELAND

Archbishop hits at church arson

Continued arson attacks on churches in Northern Ireland will drag the region into a "new nightmare of division and suffering", Archbishop Robin Eames, head of the Protestant Church of Ireland, warned yesterday. He extended his sympathy to the Roman Catholic church after another of its buildings was destroyed in an overnight fire. The blaze at the Mullavilly Roman Catholic Church, at Tandragee, was the fifth at church property in less than a week. Arsonists destroyed one Catholic church and damaged another at the weekend. Two Church of Ireland halls have also been damaged.

The attacks had "horrified and disgusted" all right-thinking people, said the archbishop.

● Northern Ireland people have little hope that their politicians will reach a settlement over the region's problems, a poll indicated yesterday. Only a quarter of those questioned in the poll – commissioned from Queen's University by the Belfast Telegraph newspaper – believed the multi-party talks on the future of Northern Ireland would succeed. It found that 94 per cent wanted a negotiated settlement but 74 per cent believed the talks would fail.

Conservatives contrast opposition leader's stance with his earlier scorn for markets

Labour seeks 'partnership with business'

By David Wighton, Political Correspondent

The Conservatives yesterday accused Labour, the main opposition party, of "a preposterous and humiliating U-turn" after Mr Tony Blair, the Labour leader, set out his party's new-found enthusiasm for privatisation to an audience in the City of London.

"Our aim now is to build a partnership with business that is broader and deeper than any post-war government has contemplated in Britain," Mr Blair said. He called for a "third way" between state control and privatisation.

"I certainly believe that, where there is no overriding reason for preferring the public provision of goods and services, particularly where those services operate in a competitive market, then the presumption should be that economic activity is best left to the private sector with market forces being fully encouraged to operate," he said. "There should be no dogmatic belief that the private sector should do everything – or that the public sector should do everything."

Mr Blair added: "Gone are the days when Labour represented one side of industry and business found itself automatically on the other."

Mr Blair had a generally warm reception from the audience of 250. Sir David Rowland, chairman of the Lloyd's of London insurance market, said he was there because

The general election campaign

he was "interested in what Mr Blair had to say". Mr Ian McAllister, chairman of Ford of Britain, said he was "still absorbing" what was "a very important speech".

Mr Michael Cassidy, the former chairman of the City Corporation's policy and resources committee, welcomed Mr Blair's speech. "It is good he kept the door open to Europe, which is vital for the City," he said. He was also pleased by Mr Blair's pledge not to import European labour market regulation which would damage the flexibility of the City.

In an advertisement in the London Evening Standard newspaper, the Conservatives quoted a five-year-old comment from Mr Frank Dobson, Labour's shadow environment secretary, in which he described business people as "stinking, lousy, thieving, incompetent scum".

Mr Dobson said he had aimed the insult specifically against businessmen who "enriched themselves at the expense of others on poverty wages". But the Conservatives insisted it gave the lie to Labour's claim to be a "party of business".

Conservative strategists also published comments made by Mr Tony Blair after the stock market crash in 1987, when he denigrated those "who chase paper profits in the casino economy of the markets". Mr Blair was then quoted as saying: "Ownership of shares is just having a stack of chips on the casino table."

The Conservatives also pointed to the Labour leadership's past hostility to privatisation. Mr John Major, the prime minister, said:"I remember what [Mr Blair] and his colleagues have said about privatisation. The moment it is pointed out that their accounts don't add up, he suddenly embraces privatisation."

The scepticism was shared by some members of Mr Blair's invited City audience after he declared that there was now a "presumption" that economic activity should be in the private sector.

The queen who does not rule

The monarch dissolves parliament and presents the government's plans for office, but her role is that of a figurehead

Outsiders might reasonably believe that Queen Elizabeth plays an important role in the working of the British constitution. It is the Queen, after all, who dissolves parliament at the request of the prime minister before a general election. It is she who asks the leader of the biggest party in parliament to come to Buckingham Palace after polling day and form a new administration. It is the Queen who reads out the annual speech from the throne setting out the government's policy.

The reality is, however, that the Queen is a figurehead in the workings of the British constitution rather than a real player. The date of the dissolution of parliament is solely decided by the prime minister and her speech is written by ministers.

Her passive role underlines her position as a constitutional monarch who reigns but does not rule. Not since Queen Victoria, who died in 1901, has any sovereign exercised any real discretion over politics. The sovereign is a figurehead who gives an air of authority to the random and hidden workings of the constitution. Her role goes no further.

But there is potential within the British constitution for the Queen to play a critical rola in the aftermath of an election if the outcome is unclear.

Take, for example, a situation in which no party has an overall majority in the House of Commons after the election – often referred to as a "hung parliament".

The automatic convention is that the leader of the party which has the most seats is asked to form a government. But this presents a range of uncertainties for the sovereign. What if two other parties form a coalition that could give them more seats? What if the minority government is unable to pass legislation but refuses to call another general election? What if there is uncertainty as to who the party leader is?

At least two of these problems have surfaced since 1945. in 1963, Harold Macmillan decided to stand down as Conservative prime minister through ill health, refusing to call a general election. On his advice, the Queen appointed Sir Alec Douglas-Home as his successor, much to the chagrin of some of the party's rival contenders.

In February 1974, Harold Wilson formed a minority Labour government after a general election. But Sir Edward Heath, the outgoing Conservative prime minister, tried to form a coalition with the leader of the much smaller Liberal party. Those negotiations failed. Had they succeeded, the Queen might have been in a difficult position.

If the Queen were called upon to exercise discretion, the situation would not be damaging to her personally. The electorate regards her as a completely impartial figure whose political sentiments are a closely guarded secret.

There have been stories of how she had an excellent personal relationship with Harold Wilson in the 1960s and 1970s and a less happy one in the 1980s with Mrs Margaret – now Baroness – Thatcher, then Conservative prime minister.

But neither the Queen nor any senior members of the royal family has allowed personal political preferences to express themselves. Every prime minister in her reign from Winston Churchill has been impressed by her considerable knowledge of events and her sense of judgment.

The monarchy as an institution could not tolerate any prolonged involvement in the political arena. The matrimonial difficulties of the family have, in the past five years, done much to undermine the royal family's dignified image. The real impact of any constitutional crisis might be to intensify demands for an overhaul of the monarchical system itself.

James Blitz

AP

The speech refers to "my government", but the words are written by ministers

Nationalists in Scotland claim growing support

By James Buxton in Edinburgh

The Scottish National party yesterday painted a glowing picture of an independent Scotland enjoying faster economic growth than the rest of the UK, underpinned by North Sea oil revenues and low business taxation.

Mr Alex Salmond, the party leader, said when launching its manifesto in Edinburgh that it had never entered a general election in such a strong position.

Party membership was at a record and an NOP opinion poll at the weekend put the SNP second to Labour in Scotland with 25 per cent of the vote. The poll suggested 35 per cent of voters wanted an independent Scotland.

Mr Salmond asked Scottish voters to make Scotland "a real and independent nation again" by electing SNP candidates to a majority of the 72 Scottish parliamentary seats. In 1992 it won 22 per cent of the vote and took three seats.

The manifesto says Scotland would be a member of the European Union with its own armed forces and embassies in many capitals. It would banish the UK government's Trident submarines and return privatised Scottish rail infrastructure to public ownership.

Tha party would increase income tax for those earning more than £30,000 ($47,700) a year and raise spending on welfare, social services and local government. It would cut the standard rate of corporation tax from 33 pence in the pound to 30 pence. Small companies would have their corporation tax cut by 22 per cent from 23 pence to 18 pence.

Tha SNP rejects government figures showing that Scotland has a fiscal deficit and was subsidised by the rest of the UK by about £8bn in 1994-95.

It argues that since 1979 Scotland has contributed a net £27bn to the UK exchequer. It bases this figure on its claim that 90 per cent of North Sea oil and gas revenues belong to Scotland.

Mr Jim Stevens, chief economic forecaster of the Fraser of Allander Institute of Strathclyde university, and a member of the Labour party's Scottish executive, said Scotland had a growing structural fiscal deficit because its share of UK public spending was higher than its share of UK tax revenues.

● Tha UK Independence party yesterday launched its election manifesto predicting Britain will leave the European Union within 10 years. "There will be a sea-change of opinion," said Professor Alan Sked, the party leader and Professor of international history at the London School of Economics, "as the costs of the EU and the single currency become unbearable." Tha party has candidates contesting a third of the seats in the Commons.

"I believe that Scotland must again become an independent nation," says former James Bond actor Sean Connery in a statement of his reasons for joining the Scottish National party. "What we seek for Scotland is the normal status of a small ancient nation"

Martin Wolf, Page 14

Triumph beats Honda rival in buoyant market

By John Griffiths in London

Trade statistics due this week are expected to show further strong growth in motorcycle sales in March, taking the sector's recovery into its third year.

The growth is led by demand for high-powered, expensive sports motorcycles at one end of the market and the rise in popularity of scooters and mopeds – after nearly 30 years out of fashion – at the other.

The view of the motorcycle as a cheap, utilitarian alternative to the car has all but disappeared.

The figures are expected to show a first-quarter sales increase for all powered two-wheelers of more than 40 per cent, compared with the first quarter of 1996.

Figures for the "superbike" sector – machines over 900cc – published by Motor Cycle Trader, the main journal of the UK industry, highlight a landmark for UK-produced Triumph.

One of the UK's most famous motorcycle manufacturers, it was rescued when Mr John Bloor, a property antrepreneur, revived the company, based in the English Midlands, in the 1980s.

The journal's statistics show that in this year's first quarter Triumph's Daytona sports model ousted rival Honda's Fireblade from first place in the top 10 list of best-selling superbikes. In the period, 525 Daytonas were sold, compared with 468 Fireblades. Triumph has increased production from about 2,000 motorcycles a year in the early 1990s to 15,000 last year.

Mr Bloor has indicated, however, that even if demand continues to grow, a ceiling of about 25,000 bikes a year is likely to be imposed to retain flexibility.

Total powered two-wheeler sales for the first two months of this year reached 8,325 – a 38 per cent rise on the same time last year.

Used car prices at the beginning of April stood 9.7 per cent higher than in the same month a year ago, reflecting a "robust and fundamentally sound" market which has enjoyed 48 consecutive months of rising values, according to CAP Motor Research, the monitoring group. The increase follows year-on-year rises of more than 10 per cent throughout the preceding quarter. CAP's statistics are based on a "basket" of 93 widely varying car models. "The government could look at the used car market for the elusive 'feelgood' factor," said Mr Mark Cowling, CAP's chief economist.

Ashley Ashwood

Triumph: its Daytona model has ousted Honda's Fireblade as the top-selling superbike

Citroën and Fiat boost imports' share of car sales

By John Griffiths

The share of the new car market taken by imports reached a record in the first quarter, figures from the Society of Motor Manufacturers and Traders showed yesterday. They hit 65.4 per cent, up from 61.4 per cent in the previous year's quarter. The figure for last month alone was 65.3 per cent.

Manufacturers in mainland Europe increased their market shares with Citroën up to 5.4 per cent last month from 3.3 per cent a year before and Fiat up from 3.8 per cent to 4.6 per cent.

The import penetration was offset by fast-rising car production in the UK, much of it for export. National output of new cars this year is expected to top 1.7m, the highest figure for more than 20 years.

The market for new cars was subdued in March, with registrations at 179,863, 0.2 per cent below the level achieved in the same month a year earlier. However, registrations in the first quarter as a whole were up 3.5 per cent on the comparable period in 1996 – to 549,534 from 531,049.

Mr Ernie Thompson, chief executive of the SMMT, expressed concern at last month's sales performance. "The rate of market growth has slowed dramatically in the past two months," he said. "Of the 18,500 additional sales made in the first quarter, 15,000 were made in January."

Nevertheless, the industry remains comfortably on course to break through the 2m sales barrier this year, although the prospect of matching the industry record of 2.3m registrations in 1989 looks increasingly out of reach.

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TECHNOLOGY

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Man's best friend: beagle kept for research at a pharmaceutical company – animal testing is still considered essential

Small creature comfort

Substitutes for using animals in scientific trials will not end the practice, says **Victoria Griffith**

When news broke recently that Scottish researchers had cloned Dolly the sheep from adult cells, attention immediately focused on the possibility of cloning humans. Bnt Dolly has more immediate implications for animals.

Cloned transgenic animals may be of particular interest to the medical community. Cloned pigs could be primed for animal-to-human organ transplants, for instance, and cloned mice – providing the perfect control system – might be particularly useful.

Many scientists believe genetic engineering may soon make animals more useful in providing answers to medical questions. "The possibility of creating tailor-made models through cloning has caused a lot of excitement," says Andrew Rowan, director of the Tufts University Centre for Animals and Public Policy near Boston. "Most researchers feel genetic engineering – which allows for the creetion of animals with very specific diseases, like heart disease or Alzheimer's – is very valueble."

New uses of animals in testing may reverse the downward trend in the use of animals in medical experiments, as well as being sure to rile animal rights groups.

The pharmaceutical group Roche performed 1m tests on animals in 1980, but by 1990 the number had fallen to 300,000. Although a proposed European law banning animal testing et cosmetics groups has been put on bold, many have ebandoned the practice anyway. in the US, household products groups Procter & Gamble and Gillette say they have not used animals in tests over the past year.

To keep the numbers down, companies will probably turn increasingly to alternative test methods. "They alreedy have made e difference," says Susan Parris, president of Americans for Medical Progress, which defends animal testing. "And they can be taken even further."

One of the most important substitutes for animal experiments, particularly in early trials, is in vitro testing. Not only can cells indicate toxicity, bnt tbey can also furnisb important clues about what impact a compound will have on a specific disease. Improved methods of growing cells in laboratories – cell cultures – have boosted value the value of in vitro to researchers.

"It used to be that you'd have to look around for special cells, like nerve cells with the receptor activity you were targeting for a nervous system treatment," says Oliver Flint, principal scientist for cellular and biochemical toxicology and experimental pathology et Bristol-Myers Squihb. "Nowadays you can just build it with molecular biology. The majority of drug discovery these days is in isolated cells systems or their molecular skeletons."

Tissne slices bave become another big area for testing. The technology needed to cut tissues into precise, equal slices, thin enough to retain oxygen and thick enough not to disintegrate, has been perfected over the past few years. Tissue slices once lasted just a few hours in the laboratory, but they can now survive a day or more. Because tissues contain different types of cells, they can yield more complex information about specific compounds than simple cell cultures.

Many observers attribute declining animal testing to better managed research data. Pharmaceutical companies such as Roche and Bristol-Myers Squibb have tried to eliminate redundant experiments by diligently storing results and encouraging scientists in different departments to share information.

Procter & Gamble has set up a worldwide toxicology data system that retrieves summaries of all studies conducted by the company. In March, P&G launched e website giving information on alternatives to animal testing.

"It would really be helpful in cutting down on tests if companies shared prodnct information with each other," says Wallace Hayes, bead of product integrity for Gillette. "If Johnson & Johnson, for instance, told us bow they make their baby shampoo, of course we wouldn't need to do any tests. But you have to ask why they would want to do that."

Computers are belping to rednce animal experiments in other ways besides storing data. So-called "rational drug design" allows companies to build three-dimensional models of molecules and receptor sites in an attempt to home in on likely compounds. The reduced randomness of drug discovery, observers say, has already cut the use of animals.

Computers are likely to become even more important. "We can get the computer to analyse, based on known information, what the toxicity of a compound is likely to be in e certain situation," says Flint.

The regulatory egencies of Europe, the US and Japan have made a concerted effort to co-ordinate standards. While regulatory requirements still differ, companies are less likely to need the large number of experiments once necessary for epproval in these markets.

Alternative methods will continue to develop but animal testing is unlikely to be eliminated. The pharmaceutical industry still considers animal testing essential. "We have to remember that animal testing can mean the difference between life and death for bumans in clinical trials," says Joanne Zurlow, assistant director of the Johns Hopkins Centre for Alternatives to Animal Testing. "That remains of paramount importance."

Viewpoint · Edith Cresson

Make the most of Europe's added value

Since becoming commissionar responsible for the European Union's research and development policy e little over two years ago, I have been increasingly concerned ebout its objectives, organisation and effectiveness.

I arrived in Brussels asking myself what the point was of spending at e European level only 3.5 per cent of the total R&D expenditure in the 15 member states. What is the added value of European research?

As time went on, I began to question whether we are making a good enough contribution to improving the competitiveness of European companies. Do our research priorities correspond to the real needs of our citizens?

The answers I have received have been only partly reassuring: while Enropean programmes do ettract large numbers of research proposals, there is also widespread demand for change.

There is a consensus, which I share, that European R&D policy needs to break with the past, that policy needs to be set in a different way, objectives need redefining, and implementation and management must be changed.

These concerns have just been succinctly, if pitilessly, summarised in e report for the Commission by an expert review panel led by Etienne Devignon, president of Belgium's Société Générale and a former industry commissioner. The EU's research policy, it says, is not fulfilling its promise, lecks focus and is underachieving. Nor is it flexible enough to respond to new challenges and opportunities.

The transformation required is ambitious, but not impossible. We must create a strategy for EU research and development, work out criteria for the definition of programmes and create a decision-making and management system that promotes greater flexibility as well as efficiency.

We bave the opportunity to achieve all these goals over the next 18 months. We are close to completing our design of the fifth version of the framework programma, which starts in early 1999 and whose scope covers all the EU's R&D activities.

The changes that Europe needs fall into three broad areas:

● Identify fewer priorities and target them better. The fourth framework programme has more than 20 specific programmes. I want to reduce these to six, three of which would be thematic programmes – unlocking the resources of the living world and the ecosystem, creating a user-friendly information society and promoting competitive and sustainable growth.

How many world-beating projects never see the light of day because researchers are frightened off?

These would be complemented by three horizontal programmes: confirming the international role of European research, innovation and participation of small and medium enterprises and improving human potential. Within the thematic approach I want to see e greater concentration on technologies which enhance industrial competitiveness and which also respond to the public's biggest concerns – jobs, health, communications, transport, education and the environment.

● Change the decision-making rules. Research policy is not set by Platonic philosopher kings but by 15 hard-headed ministers from the member states, sharing legislative power with the European parliament under the co-decision procedure. The policy they tend to produce is inevitably distorted by the requirement for unanimous decision-making.

The result is a bargaining process in which governments determinedly pursue national priorities and sectoral interests without much concern for shape or coherence. The Commission has called for majority voting to apply to R&D in order to achieve an EU research programme rather than a shopping list of national desires.

● Simplify the administration of European research. Member states do not just decide the broad outline of the framework programme and its budget. In a bureaucratic plethora of committees – of their creation, not the Commission's – they also approve the selection of research projects and their financing. How many world-beating projects never see the light of day because researchers are frightened off by the procedures? In extreme cases, they can be kept waiting for up to 18 months before knowing whether financial backing will be available.

Our convoluted procedures have other damaging consequences. The content and objectives of research programmes are in effect cast in stone for about seven years, so complex and difficult are the procedures for adjusting them. The EU must be able to respond more swiftly to new challenges and developments such as BSE the so-called "mad cow disease".

Despite the handicaps, research at the European level has many success stories – and they are even slowly beginning to attract media interest.

Europe does edd value: we operate big facilities that many member states would struggle to develop and sustain, we promote international communities of researchers with excellent results in interdisciplinary areas such as information technology and biotechnology and, with the help of common technical standards, we create globally competitive sectors, such as mobile communications.

This pooling of our physical, technical and human resources is yielding scientific excellence which must not be squandered for lack of sound policy and good government. We have to make a new leap forward.

The writer is European commissioner for science, research and development, education, training and youth

LAW

Court exempts anti-pollution

EUROPEAN COURT

The European Court of Justice has ruled that a private company that had been entrusted by a public port authority to undertake anti-pollution surveillance on its behalf was not covered by the Treaty of Rome competition rules.

The case arose in the context of shipping operations in the Italian port of Genoa. In 1991, the public authority which controlled the port created a compulsory surveillance and rapid intervention service to protect against oil pollution.

The task of carrying out this service was entrusted by way of exclusive concession to a private Italian company, SEPG. The tariffs to he applied by the company for its services were epproved by the port authority.

Between 1992 and 1994, Celi, a transport company, shipped oil in and out of Genoa. The actual shipping operations were not carried out by Cali, but by the local harbour company.

That company's sbips were fitted with anti-pollution systems and devices. No pollution arose from these shipping operations. Cali was then invoiced by SEPG for the pollution surveillance that it had carried out. Cali refused to pey on tbe grounds that it had neither requested nor required the services of SEPG.

The matter came before the national court, where the issue of abuse of a dominant position contrery to article 86 of the Treaty of Rome wes raised. The national court referred the matter to tbe European Court of Justice.

The court first stated that wben dealing with the application of the treaty's competition rules to activities in wbich tbe stata was involved, it was necessary to distinguisb between those situations where the state acted in the exercise of official authority and those where it carried out economic activities of an industrial or commercial nature by offering goods or services on the market. Only the latter were covered by the treaty's competition rules.

In order to decide whether the activities were of an official or economic nature, it was necessary to consider the nature of the ectivities carried out.

In the present case, the ectivities in question were clearly set out es anti-pollution surveillance in the order for reference.

The court also found thet it wes common ground between the parties thet the dispute did not concern the invoicing for any activities which SEPG might have carried out for pollution arising from the loading or unloading of oil at the port.

The court recalled thet the domestic provisions expressly distinguished between surveillance intended to prevent pollution and intervention where pollution has occurred.

The legal provisions provided that, where pollution had occurred, those responsible for the pollution should pay for the costs incurred. The court found that the anti-pollution surveillance for which SEPG was responsible was a task in the public interest that formed part of the essential functions of the state as regards protection of the environment.

Such surveillance was connected by its nature, its aims, and the rules to which it was subject, with the exercise of powers relating to the protection of the environment which were typically those of a public authority.

The activities of SEPG were therefore not such as to justify the epplication of the treaty competition rules.

The court found that this position was not undermined by the fect that SEPG cbarged for its services, which did not alter the legal status of the anti-pollution activities that it carried out.

C-343/95: Diego Cali & Figli v Servizi Ecologici Porto de Genova SpA, ECJ FC, March 20 1997

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

BHP recruits senior outsider

In a rare move, BHP, Australia's largest company, has gone outside its own ranks in appointing Philip Aiken as executive general manager for corporate development. Aiken replaces Jim Lewis who was recently moved to head up BHP'e copper division, much-expanded by the acquisition of Magma Copper in the US.

Aiken's new role will involve "responsibility for strategic planning for the company as a whole", and BHP said he would play "e leading role" in the office of the managing director, the influential strategic unit set up by John Prescott, BHP's chief executive.

The eppointment is unusual since the "Big Australian" usually grooms senior executives in-house, and many have spent the bulk of their working lives with the reeources company. However, external eppointments are not without precedent. John O'Connor, the current head of the petroleum division, was brought in from Mobil, for example.

Aiken, 48, is an Australian who has had over 20 years experience with the UK-based BOC group, much of it working in Asia and Europe. He moved back to Melbourne at the end of 1994, as managing director of BTR Nylex, the Australian arm of the British conglomerate. At the time, Alan Jeckson, BTR Nylex's former chairman, made clear that Nylex's management reshuffle was designed accelerate growth. Aiken, be said, was "quite frankly, being introduced as a deal-maker".

However, within seven months, the parent BTR group had proposed a scbeme of arrangement allowing it to acquire the 37 per cent of BTR Nylex which it did not own, and BTR Nylex's profile as a eeparately-listed and reletively independent entity was much-diminished. *Nicki Tait, Sydney*

Ramaphosa joins brewing group

Black business leaders have made new inroads into the upper echelons of corporate South Africa, as leading industrial groups have reshuffled their boards to accommodate e new generation.

Cyril Ramapbosa, the 44 year-old former secretary-general of the ruling African National Congress has been appointed deputy chairman of South African Breweries, the world's fifth largest brewing group. The position follows his appointment as chairman of both Beverage and Consumer Industries (Bevcon) and its holding company Johnnic, the industrial group sold to black buyers by Anglo American last year. Bevcon is the largest shareholder in SAB.

As depnty chairman, Ramaphosa, who is a former president of the National Union of Mineworkers, will run the board in the absence of Meyer Kahn, the group executive chairman. His eppointment coincides with that of Donny Gordon, the 66 year-old founding chairman of Liberty Life, South Africa's fifth largest equity investor, as co-deputy chairman.

Ramaphosa had also been tipped to become chairman of Eskom, the state-owned electricity utility. But he was pipped at the post by Reuel Khoza, chairman of the African Mining Group, the consortium of black business groups which last month bought Anglo American's controlling stake in JCI, the world's sixth largest gold producer. This is the second time Khoza has triumphed in a race against Ramaphosa, who last year led an unsuccessful bid by New Africa Investments, South Africa's largest black-owned company, for JCI. *Mark Ashurst Johannesburg*

Equitas recruits claims manager

Equitas, the company which last year took on the huge losses suffered by Lloyd's of London, has appointed a new senior executive whose job it will be to manage the billions of pounds in claims which nearly sank the insurance market.

Scott Moser has more than 13 years experience of negotiating the complexities of the US legal system, a battleground where policyholders and insurers have locked horns over e rising flood of pollution and asbestos claims.

Around 40 per cent of the liabilities totalling more than £10bn which Equitas faces stem from policies now et the heart of court action in the US over who should bear the cost of such risks. It is likely to take decades for Equitas to settle tha legitimate claims.

Moser, 46, will ect as claims director for Equitas' own in-house claims department, which employs 100 people. Both he and Jim Teff, who is to step down from this role due to his wife's ill health, are solicitors by profession.

Moser is currently president of New Jersey-based Envision Claims Management Corp and was previously with US insurer Aetna, where he managed pollntion, asbestos and health hazard claims. *Christopher Adams, London*

US chief for Robert Fleming

Robert Fleming, the UK investment bank, has hired Stewart Massey to head its North American operations. Massey has been with Morgan Stanley for 14 years and currently heads the US investment bank's Japanese equity sales, based in New York and Tokyo.

Fleming has some mergers and ecquisitions business in North America hut its main business there is Asian equity broking.

Massey's background in Japanese equities indicates that that concentration will continue, though the bank has also been building up its Latin American research and sales operation. *George Graham, London*

ON THE MOVE

■ ASLK-CGER, the Belgian Bank, has appointed Joos Kuiper chairman of Dutch MeesPierson to its board. ASLK-CGER is controlled by Fortis, the Belgian-Dutch banking and insurance group, which acquired MeesPierson last year.

■ Boh Tucker, consumer general manager of Standard Bank has been eppointed head of the COUNCIL OF SOUTH AFRICAN BANKS (COSAB).

■ DEUTSCHE MORGAN GRENFELL has appointed Felipe de Iturbe as country head for Mexico.

■ Charles Alvarez has been appointed chief financial officer and vice-president, finance and administration at ALLIANCE SEMICONDUCTOR. He replaces Ron Shelton, who resigned in September.

■ ENDESA has appointed Jose Bogas as managing director to replace Rafael Miranda, recently named chief executive. Bogas has been the director of energy management since 1988.

■ Graeme Thorne, 43, has been appointed senior manager of project finance at the London hranch of SANWA BANK, the eighth largest commercial bank in the world. He joins from Midland Bank.

■ WORLWIDE TELEVISION NEWS (WTN) has promoted Nigel Parsons to vice-president Europe, replacing Gernot Anderle who is retiring after thirty years representing WTN in Europe. Parsons is responsible for sales in Europe with regional executives Isabel Jubert, Svetlana Setunskaya, Angela Comer and Rex Jenkins.

■ ACNIELSEN CORPORATION has appointed Robert McCann, the senior executive responsible for the company's partnership with Kraft Foods and Miller Brewing to the additional position of senior vice-president corporate planning and development and a member of the Corporation's operations leadership committee.

■ Zhuang Shoucang has resigned from the board of CATHAY PACIFIC AIRWAYS. Carl Yung, who is general manager of CITIC Pacific, replaces him as a director. Baroness Dunn has also resigned from the board. She has been appointed as an adviser to the board.

■ HILTON INTERNATIONAL has announced the appointment of MICHEL RECALT as senior vice-president, with responsibility for the Americas. Following the recently announced strategic alliance, he will also work closely with Hilton Hotels Corporation to progress joint business initiatives in the area.

■ ALBRIGHT & WILSON, the international chemicals group, has appointed Gabriel Kow as president of Albright & Wilson Asia Pacific, based in Singapore. Kow will take over the post on June 1, and will be appointed a director of the company on the same date. Lyall Work who has been president of Albright & Wilson Asia Pacific since November 1991, will be taking on other responsibilities outside the region.

■ NATWEST MARKETS has appointed Thomas McManus to the position of US strategist and senior vice-president responsible for US investment strategy, based in New York.

■ AMERICAN NATIONAL CAN COMPANY (ANC) has appointed Michael Herdman, 46, as senior vice-president, Beverage Cans Europe, Asia/Pacific. He has directed ANC's European beverage can making operations as senior vice-president since 1990.

■ Berry Wiersum has been appointed president, AMOCO CHEMICAL EUROPE, at the company's regional headquarters in Geneva. He succeeds Tim Scruggs who has returned to the parent Corporation in Chicago.

■ Tony Lancaster, chairman and chief executive of GAN INSURANCE GROUP, has been appointed as a non-executive director of MONDIAL ASSISTANCE UK, founded by Gan and AGF, two of Europe's premier insurance companies and Societe de L'Automobile Cinb.

■ BLUE CIRCLE INDUSTRIES has appointed Shatish Dasani, 35, as finance director for its Chilean subsidiary, CEMENTO MELON. The Melon Group is Chile's largest cement producer.

■ Susan McManama Glaninno, 47, has been promoted to chief executive of J WALTER THOMPSON New York, e new position.

Her previous title since she joined Thompson two years ago was executive vice-president, general manager.

In her new role, she will be responsible for the growth and overall performance of the flagship office in the JWT global network. She continues to serve on the JWT worldwide board of directors. David Simpson, 46, becomes managing director of J. Walter Thompson New York, also a newly created position. He will report to Gianinno and will manage the day-to-day operations of Thompson NY.

■ Mike Muller has been appointed to the new position of managing director, BELL & HOWELL Mail Processing Systems, Europe and Asia Pacific at their European headquarters in London. He continues as managing director of the European region of Bell & Howell'a information management division and as president of Bell & Howell France.

■ Lars Josefsson, current president of Ericsson Austria, has been appointed president and chief executive of CELSIUS, the Swedish advanced technology group. He succeeds Olle Lund who leaves Celcius after 13 years as chief executive. Josefsson takes up his new post on June 1.

■ Lisbeth Barron has joined BEAR STEARNS & CO, as a senior managing director in its media and entertainment corporate finance group. Bear Stearns & Co Inc, a leading investment banking and securities trading firm, is the majority subsidiary of The Bear Stearns Companies Inc.

■ Following the recent global restructuring of the banking group, Credit Suisse Group, CREDIT SUISSE FIRST BOSTON, its commercial and investment banking arm, has eppointed Mark Hart, 37, European head of compliance. He joins from Bankers Trust.

■ BELL & HOWELL has appointed Mike Muller to the new position of managing director, Bell & Howell Mail Processing Systems, Europe and Asia Pacific.

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ARTS


A kind of alchemy at work: 'Fruit Display' by Patrick Caulfield, 1996

So ordinary, but so strange

William Packer admires Patrick Caulfield's latest work

Such is the present general obsession with the work of younger British artists, particularly the quasi-theatrical installation and conceptual work, that it is all too easy to forget that so much of what currently is best and most interesting is good old painting, and produced by artists of an older generation at that.

Patrick Caulfield, were he of any other nationality, would surely be by now a truly international star. Now turned 60, he has enjoyed a fair exposure over the years, in solo shows and official groups around the world, but he remains largely unknown abroad; there has been no Venics Biennale leg-up, or the like, to lift him to the eminence he deserves.

The problem perhaps is something of his own making for, while he is the most thoughtful and considered of artists, he works with an infinite slowness and his output is small. That be should have painted the six large canvases that make up this latest show over the last four years or so, is, for him, wonderfully prolific.

He first made his name in the early 1960s, while still a student at the Royal College, along with the likes of Hockney, Boshier, Jones and Blake, in the heyday of Pop-Art, though the label even then was limiting and inadequate. His clear, flat colour and simple, uninflected outline-drawing that reduced the image to its iconic essentials, and his disarmingly dead-pan approach invited superficial comparison with early Warhol and Lichtenstein yet set him immediately apart. And in truth he has never followed that easy, lucrative American pattern of mere formulaic variation. He was always too subtle, too intelligent, to be so boring.

Within a few years, he had settled upon the still-life and the domestic or semi-public interior for his subject-matter, and so it has remained – though to put it so baldly belies the richness and variety of the work as it has steadily developed. Here we have it still, the café, louche bar and hotel lobby with their cheap ashtrays, plush walls and plastic flowers. The atmosphere is heavy and oppressive, fraught with that atrange feeling, that mixture of expectation and cosmic boredom that comes of being away from home yet in an intimate and half-familiar place. Caulfield, in his odd way, is the true poet of this half-world, at once so ordinary and so strange.

And yet what is so extraordinary, which is of course the mark of the real artist, is the way he does it, with such apparent ease and economy of means. In each of these paintings a true sense of place is generated, each space made credible, knowable, habitable. But it is made so, not by any exercise either of conscientious or expressive description, but by selection and abstractive reduction of the utmost rigour and refinement.

A pile of fruit sits in a pool of light; a chained ball-point pen spears into its stand on the reception desk. There is the rubber plant behind the lamp, and it is five past eigbt: for Caulfield it is always five past eight in the evening. So much for exact description, the single chosen detail, hermetic in its isolation yet pictorially so effective. For it is the ellipse of the pen-base that establishes, if only by the lightest of inferences, the plane surface of the desk. A shadow falls down the wall to turn out across the floor – or rather that is how we read it, for we have only the crisp abuttment of flat colours to go by. An all-enveloping dark-brown ground penetrates a red triangle at a single point, and there is the whole table believable in the gloom, registered by the single leg on the bright patch of carpet.

It is a kind of alchemy, whereby the hard-edged and abstract disposition of flat shapes across the canvas, moderated only occasionally by regular pattern, is at once sustained with the ntmost sophistication in purely formal abstract terms, and yet leads us, teases us visually, into the artist's own pictorial world, yet one that we too know and share. It is the formal, abstract disclpline that gives these works their visual energy and strength, the wit with which they are so finely tuned that engages the senses and the imagination.

These are fine paintings, as good as any that Caulfield has ever done, and in a country that thought such things important they would be purchased, one or two of them at least, on our behalf. Sadly the wheels of the Tate have ground too slow, and all have been snapped by a not insignificant private collector, sensible fellow. My feelings about this are mixed, for there is something oddly neutering about the move *direct from studio* to museum. Works of art should be cherished and coveted and it seems to charge them up to serve some time on private walls. The artist has a right to earn a living, and the public no right at all to what it hasn't bought, no matter how great the art. The chances are, in this case, that these will have a public airing from time to time. All in all, no bad thing.

Patrick Caulfield – New Pantings: Waddington Galleries, 11 Cork Street W1, until April 26.

Concert/Stephen Pettitt

Fanfare for an unsung orchestra

Which is the poorest paid professional sympbony orchestra in Britain? What internationally renowned orchestra habitually plays in unheated churches and is almost constantly on the road? What orchestra replaced its dynamic young American conductor with a dynamic young Russian two seasons ago? And which orchestra will in a few weeks have played in the Concertgebouw, ths Vienna Musikverein and the Carnegie Hall this calendar year?

The answer to all of those questions is the Bournemouth Sympbony Orchestra, the orchestra of the west of England, which on Friday goes even *further* west, to the US, for its second tour there – the first was under Andrew Litton in 1994. The orchestra is giving eight concerts on the East Coast in nine days, including that coveted Carnegie Hall date, a debut, on April 17.

This concert, broadcast live, was a last chance to play soms of the touring repertoire before setting off. Southampton's Guildhall is a far from ideal location. It has a poor, veiled acoustic, and the decaying facilities have the words "straitened local authority" written all over them. There seemed to be no posters advertising the concsrt anywhere. Even the front door of the hall is hard to find. But the BSO has been playing here for years to a friendly, attentive and discriminating audience, and Yakov Kreizberg, that dynamic, young Russian conductor, has quickly developed a keen local following.

That is not surprising, because he is a very good conductor indeed. He is also a very approachable, balanced person and be spared time in his dressing room half an hour before the concert to talk to me about the tour. "I think the fact that Carnegie Hall has invited us to take part in the regular subscription series says something about the perception of this orchestra abroad", he said. "No, I don't think we are underestimated here, but there's always been feeling that we're stuck down in the south west part of the country, away from centres that could properly financially support us."

He feels that there is something special happening with the orchestra. How is he changing it? "My first big change is to do the repertoire of the classical period which not many of the big orchestras are playing at the moment. Simon Rattle realised in Birmingbam that without this repertoire an orchestra isn't going to go further tban where it's already at." It cleans the sound and the technique? "Yes, it makes people aware of what are they playing, what part of tbe bow are they playing with. It zeroes in on the basics. And now the players are wondering why they didn't do it before."

The first part of the farewell programme showed just how clean the orchestra can sound. Ravel's orchestration of "Une barque sur l'ocean" gleamed and glimmered not with vague, blurred washes bnt with a clearly delineated palette, like the pinpoints of a Seurat canvas closely examined. Then, with Lynn Harrell as soloist, came Dutilleux's Cello Concerto of 1970, a suite-like though continuous piece of contrasting rhetorics. Again beautifully scored, it captivated tbe aural imagination while retaining a classical sense of balance and impetus, both trademarks of Dutilleux's work.

After the interval came Rachmaninov's Second Symphony. If anyone doubted that the BSO's string section lacks ripeness this was the performance to convince them otherwise. The entire orcbestra responded with fervent yet disciplined playing to Kreizberg's compelling and fresh vision of a well-worn work. They were incisive in that wonderful, horn-ringing Scberzo, mellow in the gorgeous lyricism and enraptured in the climactic drama of the slow movement, brash – but never rough – in the hectic whirl of the finale. Yet still the lessons of the French music were not forgotten. This indeed is a band that can listen to itself, and if it shows the same musicianly insight in these pieces and in the other works, including Judith Bingham's new The Temple at Karnak, which it is taking to the US, orchestra and conductor will go down very well indeed.

Theatre/David Benedict

Intimate revue gets a facelift

Clive James's description of Barbara Cartland was "two blackbirds having crashed into the white cliffs of Dover". There is an even more uncanny depiction of ber in Desmond Barrit's gloriously pompous portrayal of the woman on first name terms with "Lily, or as we call her, Her Majesty the Queen." Dressed in a cloud of furs, silks and satin definitely the wrong side of fuschia, Barrit is part of *Then Again*, a ribald, witty evening of 30 sketches and songs that comprise Nell Bartlett's affectionate reinvention of intimate revue.

Much of Bartlett's success in reviving the Lyric Hammersmith's sunken fortunes has been his shrewd eye for casting. This show represents another coup with the combination of RSC favourite Barrit; the self-styled "fat, dwarfish slapper and sixth Spice Girl" Dawn French; improviser and comic actor Neil Mullarkey; veteran accompanist John Gould; and Sheila Hancock. She not only starred in Bartlett's matchless musical adaptation of Ruth Rendell's thriller *A Judgment in Stone*, but in several 1950s revues including *One to Another*, the 1959 revue at this address, which included *The Black and the White* by the young Harold Pinter, which is revived here, bravely closing ths first balf. Looking like a cross between a Holbein wimpled wife and old man Steptoe, Sheila Hancock and a bristling, exacting Dawn French, vengefulness in a raincoat, eke out soup and their lives in an all-night café, their inconsequential dialogue a slow-burn of masterly comic observation.

The great thing about an evening of sketches is that if you don't like something, you know there is always another coming along in a minute. The hit rate in the meandering first half is not qulte higb enough; but wbenever the women are on stage, you revel in ths comic technique of Hancock's gin-pickled, desiccated colonial wife, or French wringing more laughs tban yon thought possible out of Lionel Bart's Nancy.

By the second half, however, the laughs barely stop. The energy level rockets and the tone widens to include a wonderfully ailly impro sketch which investigates tbe comic possibilities of a hairdrying hood, a Noël Coward song, beautifully played running gags, a caustic attack on style journalism from Stephen Fry, a hysterical sileot movie-style sketch with a clock, a chair and Sheila Hancock, and a sensationally funny collision between Tosca and an Italian restaurant. From the second Hancock staggers on in a slip and a black wig the audience are beside themselves with glee.

This, however, is nothing compared with tbe final sketch which is tbe most apoplectically funny writing on the London stage. Barrit, a picture of rectitude, delivers a funeral address of such apocalyptic tastelessness the author has removed his name from it. Mullarkey has the hardest job of the night. With the audience crying with laughter, he has to close the scene with a straight face. I shall be back to see if he manages it again.

Lyric, Hammersmith, London W6 (0181-741-2311).


Desmond Barrit as Barbara Cartland — Douglas H. Jeffery

INTERNATIONAL ARTS GUIDE

AMSTERDAM

OPERA
Het Muziektheater Tel: 31-20-5518117
● Il Re Pastore: by Mozart. Conducted by Graeme Jenkins, performed by De Nederlandse Opera. Soloists include Banse, Sieden and Croft; Apr 12

■ BARCELONA

CONCERT
Palau de la Mzsica Catalana Tel: 34-3-2681000
● Orquestra Simfoncia del Vallhs: with conductor Salvador Brotons and cellist Romain Boyer perform works by Liszt, Martinu and Beethoven; Apr 12

■ BASEL

EXHIBITION
Kunstmuseum Basel Tel: 41-61-2710228
● Die Letzten Aquarelle von Martin Disler: last August, the Swiss artist Martin Disler died while working on a series of 999 watercolours. This exhibition features the approximately 385 works of the series that he was able to finish. Many of the works on display were inspired by the poems of Femando Pessoa; to Apr 20

■ BERLIN

DANCE
Staatsoper Unter den Linden Tel: 49-30-20354438
● Le Concours: a choreography by Maurice Bijart to music by Le Bars, performed by the Staatsopemballett; Apr 10, 12, 13

■ BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Samson et Dalila: by Saint-Sakns. Conducted by Marc Soustrot, performed by tha Orchester der Beethovenhalle Bonn and tha Oper der Stadt Bonn. Soloists include Lucia Naviglio, Alexej Steblianko and Anooshah Golesorkhi; Apr 11

■ COLOGNE

EXHIBITION
Wallraf-Richartz-Museum Tel: 49-221-2212372
● Tiepolo und die Zeichenkunst Venedigs im 18. Jahrhundert: exhibition featuring drawings, sketches and designs by the Venetian artist Giovanni Battista Tiepolo (1696-1770), his sons and followers. The main focus of the exhibition is the period in which Tiepolo worked on the decorations for the palace of the archbishop at Würzburg. Also featured in the exhibition are drawings by other Venetian masters, including Ricci and Guardi; to May 11

■ DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● Joseph Kosuth: the first solo exhibition in Ireland of Kosuth's work, featuring a large-scale installation incorporating the writings and history of James Joyce and Ludwig Wittgenstein and 14 works dating from 1965 to the present day; to Jun 11

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Lucian Freud: Early Works: exhibition nf 25 paintings and drawings made by Freud before and during the Second World War. The works on display include the artist's first oil painting and his nnly sculpture, a sandstone horse carved in 1937; to Apr 30

■ GENEVA

EXHIBITION
Musee d'Art et d'Histoire Tel: 41-22-3114340
● Morceaux choisis, Ciramique de Grande Grece: display of ceramics from Greece, featuring 150 fragments of vases dating from the 5th century BC up to the 3rd century AD. Many feature Images of Classical heroes including Hercules, Hector and Achilles; to Jul 20

■ HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● Philharmonisches Staatsorchester Hamburg: with conductor Gerd Albrecht, violinist Vivian Hagner and cellist Wolfgang Schmidt perform works by Brahms; Apr 11

■ LONDON

EXHIBITION
Courtauld Institute Galleries Tel: 44-171- 8732526
● The Art of Etching: an exploration of atching through works from the Courtauld, including pieces by Tiepoln, Piranesi and Canaletto; to May 25
Queens Gallery Tel: 44-171-9304832
● King of the World - Padshahnama: the Mughal manuscript documents the reign of Shah-Jahan, who ruled from 1628 to 1658 and commissioned the construction of the Taj Mahal and the great forts of Delhi and Agra. The manuscript was presented to George III in 1797 and has rarely been seen in public since; to Apr 27

OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Salome: by R. Strauss. Conducted by Christoph von Dohnanyi, performed by the Royal Opera. Soloists include Catherine Malfitano, Anja Silja, Rubyn Philogene and Kenneth Riegel; Apr 11

■ LYON

OPERA
Opira National de Lyon Tel: 33-4-72 00 45 00
● Don Carlos: by Verdi. Conducted by John Nelson, performed by the Orchestre and Choeur ds l'Opira de Lyon. Soloists include Stephen Mark Brown, Karita Mattila, Josi van Dam and Victor Torres; Apr 11

■ MUNICH

EXHIBITION
Neue Pinakothek Tel: 49-89-23805-195
● Manet bis Van Gogh; Hugo von Tschudi und der Kampf um die Moderne: exhibition saluting the leading role iof von Tschudi in introducing French Impressionist art to Germany. Artists on display include Manet, Rodin, van Gogh, Matisse, Renoir, Gaugin and Monet; to May 11

■ NEW YORK

EXHIBITION
Guggenheim Museum SoHo Tel: 1-212-423-3840
● Art/Fashion: exhibition examining the exchanges between visual art and fashion design. Works by artists including Christo, Warhol and Shea will be on display alongside garments designed by Cocteau, Dali and Balla; to Jun 8
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Glory of Byzantium: a major exhibition of the art of the middle period of the Byzantine Empire (from the mid-9th through to the mid-13th centuries), when Byzantium set a standard of imperial elegance for both contemporary Western Europe and the Islamic east; to Jul 6

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Made In France 1947-1997, 50 ans de Criation an France: exhibition of works from the permanent collections of the Centre Georges Pompidou and the Musie National d'art Moderne celebrating respectively the 20th and 50th anniversaries nf the museums. Included are works by Braque, Calder, Chagall, Duchamp, Ernst, Matisse, Picasso, Balthus, Cisar, Dubuffet and Klein; to Sep 29

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Eugen Onegin: by Tchaikovsky. Conducted by Simone Ynung, performed by the Wiener Staatsoper. Soloists include Thomas Hampson, Adrianne Pieczonka, Neil Shicoff and Roberto Scandiuzzi; Apr 11

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European Money Wheel

18.00
Financial Times Business Tonight

Martin Wolf

Little harm in a handover

Britain's economy would not be damaged much by a Labour government, even though it might tax and spend more than the Conservatives

"Britain is booming – don't let Labour ruin it." This slogan is the Conservatives' last hope of avoiding catastrophic defeat in the general election on May 1. Whether this appeal to the electorate's greed and fear works will become obvious quite soon. But does it deserve to do so? Is Britain booming? And is Labour likely to ruin it?

An eve-of-election claim from a Conservative government that the UK economy is booming evokes miserable memories: the Maudling boom of the 1960s, the Barber boom of the 1970s and the Lawson boom of the 1980s, each of which turned into a subsequent bust.

It would not be that surprising if this expansion became known as the Clarke boom. But now it looks more of a boomlet. True, the fiscal deficit is too large and monetary growth too fast. But the UK should avoid another severe recession, provided fiscal and monetary policy is tightened after the election.

Yet the Conservative party has hardly provided macroeconomic stability. As Professor Richard Layard of the London School of Economics, points out in his book, *What Labour Can Do* (Warner Books, 1997), since 1979, the British economy "has been subjected to two of the five largest post-war recessions in the group of seven countries".

Mr Gordon Brown's claim to be an iron chancellor-in-waiting is credible. This would merely put him in a line of orthodox to ultra-orthodox Labour chancellors, from Philip (later Lord) Snowden in the 1920s and 1930s, to Sir Stafford Cripps in the 1940s, Roy (now Lord) Jenkins in the 1960s and Denis (now Lord) Healey in the 1970s.

Macroecooomic orthodoxy comes naturally to Labour, partly because financial markets – wrongly – mistrust them, but also because, in their hearts, they believe private consumption is a bit wicked. The son of a Presbyterian preacher, Mr Brown fits comfortably into this mould.

If this proved an unsustainable boom, Mr Brown would deal with it. If there was the chance of a sustained period of stable growth, he is as likely to avoid serious macroeconomic blunders as the average Tory chancellor. When New Labour pledges to match the current target of 2½ per cent or less for inflation or maintain public debt at a "stable and prudent" level, this is credible, though public spending and taxes are likely to be higher than under the Tories.

The more interesting question is whether the UK has enjoyed any improvement in longer-term economic performance. If so, is this safe in New Labour's hands? The answer to the first question is "probably". The answer to the second is "quite possibly".

As Mr Tony Blair himself noted in his speech in the City of London yesterday, "Britain has been in decline relative to our major competitors for more than a century." This underperformance seems to heve ended in the 1980s, as Professor Nicholas Crafts points out in a splendid pamphlet, *Britain's Relative Economic Decline* (The Social Market Foundation, 1997).

Between 1950 and 1973, the UK's real gross domestic product per hour worked declined from 5th to 11th in the world. Since then, the UK has held its place, as the chart shows. The performance on real GDP per head looks worse, with the UK's rank having declined from 6th in 1950, to 11th in 1973 and 17th in 1994. But three of the countries that have jumped above the UK since 1973 are Hong Kong, Japan and Singapore. Moreover, the differences in living standards were small: UK GDP per head in 1994 was only 9 per cent lower then the French, which was 10th in the ranking.

To have halted, or even slowed, the pace of relative decline is comforting. But delight must be tempered by awareness of the reason for this success. This is the deterioration in performance elsewhere, above all on the European continent. To celebrate the failures of one's friends is unseemly.

Still more relevant than actual performance is what would have happened if reforms had not happened. Here one is in the realm of the counterfactual. It is possibla – in my judgment, probable – that an unreformed UK would have experienced almost as dramatic a slowdown in its underlying rate of growth as did other industrial countries, but from a far worse starting position.

This then is the – strictly limited – sense in which Britain is "booming". The UK has enjoyed a modest improvement in its relative performance. The question now shifts to whether Labour would ruin this.

The determinants of an economy's performance can be broken down into the supply of resources and the efficiency with which they are used. Both matter. But thosa on tha market-oriented right emphasise the latter, while those on the left focus on the former.

The Labour manifesto, for example, states that "an explicit objective of a Labour government will be to raise the trend rate of growth by strengthening our wealth-creating base. We will nurture investment in industry, skills, infrastructure and new technologies." This emphasis on investment is classically leftist. This does not mean it is wrong. As Prof Layard shows, the argument for a "skills revolution" in the UK is persuasive.

The difficulty of left-of-centre parties is with the efficient use of resources. The Soviet Union made gigantic investments in both people and physical capital, but to little avail, because competition was illegal. As for dear Old Labour, it rejected almost every market-liberalising Tory reform.

Parties of the left dislike competition for sound reasons. It is, after all, their job to represent those who compete poorly, because they lack the necessary skills, and those who have chosen not to engage in market competition, because they dislike its ethos.

Rhetorically, at least, New Labour is very far from atavistic Old Labour attitudes to competition. There is no doubt that those in control, in Mr Blair's words, "accept and indeed embrace the new global economy". Yet it is reasonable to wonder how his government might behave in practice. For this consider three straws in the wind: health, education and the labour market.

In health, the Labour manifesto explicitly rejects the internal market model, though what it proposes to replace it with looks a bureaucratic mess. Since the internal market was really just a socialist market economy, Labour may well be right to reject it. But this is almost certainly not the reason it has done so.

In education, the solution it proposes is not more competition among suppliers, hut apparently even more *top-down supervision*, with the Department for Education and Employment giving, in the words of the manifesto, "a strong and consistent lead to help raise standards in every school". Again, this is the command and control approach.

Then there is the labour market. Mr Blair likes the flexible labour market, so much so that he called yesterday for "flexibility-plus". But Labour supports both a minimum wage and adherence to the European Union's social chapter. A feeble case can be made for both. But they carry serious risks of increased unemployment and unreasonable regulation.

So would New Labour ruin the competitive market economy? One's answer depends on how far one trusts people who say that virtually everything they wanted until quite recently was mistaken. My own tentative answer is that Mr Blair's New Labour passes the first test of a prospective government – whether it will avoid doing serious harm to the economy.

The end of relative British decline?

Real GDP/hour worked (at purchasing power parity, $)

1973			1992	
1	US	23.45	France	29.62
2	Canada	19.09	US	29.10
3	Netherlands	19.02	Netherlands	28.88
4	Switzerland	18.28	Belgium	28.55
5	Sweden	18.02	Germany	27.55
6	France	17.77	Norway	25.61
7	Australia	16.87	Switzerland	25.37
8	Germany	16.64	Canada	25.32
9	Belgium	16.53	Italy	24.58
10	Denmark	15.94	Austria	24.21
11	UK	15.92	UK	23.98
12.	Italy	15.58	Sweden	23.11
13	Austria	15.27	Australia	22.56
14	Norway	14.05	Denmark	21.81
15	Finland	13.46	Iceland	20.76
16	Japan	11.16	Finland	20.45

Source: Nicholas Crafts

Seam of trouble

A row in New Caledonia sets a bad precedent for French privatisations, says David Buchan

A quarrel over a nickel mine in the Pacific island of New Caledonia has pitted the Eramet mining group against its majority owner, the French state, in a conflict bizarre even by the standards of French public-sector imbroglios.

The French government last month started legal action to dispossess Eramet of its Koniambo nickel concession and to give it to a company controlled by the local Kanak independence movement. Paris hopes the gesture will be sufficient to prevent New Caledonia separating entirely from France in a referendum next year.

The Eramet management, however, is contesting the loss. This would, it says, damage the company and be unfair to its minority shareholders which entered the group when it was partially privatised in 1994.

The legal pretext being used by the government is that Eramet has not actively exploited Koniambo for the past 10 years.

Eramet has a month to explain its inactivity. If the government counters by demanding that Eramet should immediately start mining nickel at Koniambo – which Eramet says it only plans to do in 2005-2010 – then the company seems sure to lose its concession.

"If there is a conflict the state will prevail," warns Mr Jean-Jacques de Peretti, minister for France's overseas territories. The government is also likely to replace Mr Yves Rambaud, the veteran Eramet head who is respected by his minority shareholders, at the group's annual meeting in June.

Such action risks alienating foreign investors just when the government is planning its biggest flotation to date – the sale of up to FFr30bn-FFr50bn (£3.2bn-£5.4bn) worth of shares in France Telecom next month. Fidelity, the US fund, has written to the government, effectively threatening to boycott the France Telecom issue if its 5 per cent stake in Eramet is damaged by the loss of Koniambo.

The cause of all this trouble lies in New Caledonia, which has been a French territory since the end of the 18th century. Recently, an independence movement has grown among the 45 per cent of the island's 200,000 population who are local Melanesians or Kanaks.

After a dramatic incident in 1988 when pro-independence Kanaks took hostage several French gendarmes and killed two of them, New Caledonia was given more autonomy and the promise of self-determination in a referendum in 1998.

In the intervening decade, the pro-independence movement, led by the Kanak Socialist National Liberation Front, has come to the conclusion that demographics do not favour a straight bid for separation. Most of the island's Asian minorities – Chinese, Indonesian and Polynesian, who make up a fifth of the population – side with the European 34 per cent in wanting to stay under France's tutelage.

Yet the Front needs something to appease its militants. This is where nickel comes in. The island supplies nearly one-fifth of world nickel from deposits that run its 400-kilometre length, but its only refinery is in the southern and more European region. Successive French leaders have promised to put a refinery in the poorer north where the Kanaks are concentrated.

Using the 1998 referendum as leverage, the Front is demanding that France deliver on this promise. It has also taken action of its own. Société Minière du Sud Pacifique (SMSP), the mining company controlled by the Front, has persuaded Falconbridge of Canada to build a refinery in the north. To ensure a steady supply of nickel, SMSP has demanded the Koniambo concession currently held by Eramet, offering a smaller concession elsewhere in return.

This year Eramet agreed in principle to such a swap, but the deal fell through when the Front demanded an instant exchange. Eramet said a swap could only take place over the two years needed for the proper evaluation of Koniambo and for Falconbridge to build the northern refinery.

Eramet agrees New Caledonians would get more value from their nickel by refining it all locally. The island refines 50,000 tonnes of nickel a year at Eramet's Doniambo refinery in the south and exports a further 70,000 tonnes of raw nickel ore – mostly by SMSP – to refiners in the US, Japan and Australia.

If SMSP halted these exports, it would have enough to feed the Falconbridge project, Eramet says. SMSP insists on maintaining its exports as well as proceeding with the northern refinery – having its cake and eating it too, complains Eramet.

The French government has promised to compensate Eramet for nickel losses. Although cash would not keep Doniambo running, a big compensation payment – Koniambo's value is estimated at $300m (£188.6m) – might soothe Eramet's minority shareholders.

In addition to Fidelity, these include Templeton and the College Retirement Employee Fund, both of the US, as well as the UK-based Mercury Asset Management and Scottish Widows. In 1994 they flocked into Eramet at FFr310 a share, but have had a rough ride since. Eramet shares fell to about FFr230 last autumn but have recovered to close at FFr291.80 yesterday.

Defeat for Eramet could sour the investor climate for the far more important issue of France Telecom's privatisation. The French utility has one thing in common with Eramet – the government's determination to keep majority control. If foreign investors felt a French government might give in to France Telecom's employees in some future strike as readily as it is now appeasing the Kanaks, they might stay away from the privatisation altogether.

LETTERS TO THE EDITOR

Number One ...

We are keen to encourage letters from readers around the ... e-mail: letters.editor@ft.com Published letters are ... Translation may be available for letters written ...

Robustness needed in setting up independent central bank

From Mr Edmund Dell.

Sir, Gavyn Davies informs us ("Freedom balanced by scrutiny", April 1) of two lessons which, apparently, "economists have learned in the past decade". The first is that there is a positive relationship between the independence of central banks and the rate of inflation. The second is that lower inflation is not won at the expense of output growth, variability of growth, or higher unemployment.

The implication, unfortunately correct, is that for many previous decades economists have been giving politicians rather bad advice. Gavyn Davies should therefore recognise that it is not merely politicians who suffer from a credibility gap. Economists do so also. As a result, his proposal that politicians should be given leeway, presumably on the advice of economists, to raise the inflation targets to be achieved by an independent central bank in order to accommodate exceptional economic shocks, also lacks credibility.

The reason for Gavyn Davies's half-hearted approach to the idea of an independent central bank is that its independence must be consistent with the UK's democratic traditions. It is, unfortunately, consistent with the UK's democratic traditions to have an inflation rate higher than that of our most successful competitors.

But the proposition that there is a democratic *right* to inflate for policy reasons is at least questionable. Equally questionable is the implication that countries such as the US and Germany have lower standards of democratic accountability than the UK. It would be difficult to argue that the UK managed the oil shocks of the 1970s better than, say, the US and Germany with their independent central banks. Nor that democratic accountability suffered more in those countries from the actions of their central banks than it did in the UK from the actions of a government with the flexibility to follow the advice of the economists of the time and attempt to accommodate inflationary pressures more comfortably.

I hope thet the next government takes a more robust approach to the problems of establishing an independent central bank than is manifested in Gavyn Davies's article.

Edmund Dell,
4 Reynolds Close,
London NW11 7EA, UK

Argentina lays claim to Falklands

From Mr John Torode.

Sir, Alastair Forsyth (Letters, April 5/6) suggests that Argentina has indicated that it is ready to abandon its claims to sovereignty over the Falkland islands. Far from it. Its new (1994) constitution lays specific claim to the islands for the first time.

As for Mr Forsyth's implication that the islanders are preparing to wax rich on the profits of their (widely admired) conservationist fisheries policy, and on putative oil revenue, while the UK foots the bills for their defence, this is *simply* not the case.

The executive council has stated its intention to meet the full cost of the British *military presence*, and some executive councillors whom I met on a recent visit argued that the entire oil revenues should be donated to the British Treasury in return for British spending on defence, infrastructure and health, education and welfare. This would be a great bargain for us.

Finally, Mr Forsyth stresses the relatively pacific nature of the current Argentine regime. Quite so. But the nation's historic instability means that no one can be sure whether another xenophobic, fascistic military dictatorship will be in power in a few years' time.

John Torode,
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Weakness of Middle East peace process

From Mr Edmund O'Sullivan.

Sir, Your editorial "Mideast anger" (April 4) about Middle East peace fails to tackle the real problems. The Oslo process was flawed from the beginning because it was conceived in secret and has always failed to win the overwhelming support of the Israeli and Palestinian people.

For there to be peace, there has to be a sovereign and independent Palestinian state. The sponsors of Oslo avoided this imperative. By saying the status of Jerusalem, easily the most sensitive matter for the region, will be settled by the end of the decade, the stakes were dangerously raised.

If Oslo is to work, three things need to happen. First, Israeli proponents of peace must convince the overwhelming majority of their people that a Palestinian state will be good for them. Second, Palestinian leaders have to be more honest about how little they can force Israel to concede. Third, the US should start being an impartial mediator.

If these are not forthcoming, scrap Oslo and return to the slow-moving but more honest multilateral approach defined by the 1991 Madrid conference.

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Exploit investment opportunities with lottery-backed fund

From Mr David Turnbull.

Sir, Both Tony Jackson ("The dividends dilemma", March 29/30) and John Mulvey (Letters: "Government policy exacerbates dividend short-termism in UK", April 2) are right. The real point is that there are industrial investment opportunities which must be exploited.

A solution put forward in the UK Industrial Group's latest report, Manufacture to Survive, is the launch of a multi-billion pound industrial investment fund with initial contributions from the National Lottery. As the report underlines, there is a need to rebuild whole sectors where manufacturing was once strong but has since been decimated, while imports flourish; and we must control and keep control of key strategic industries. If foreign corporations view the UK, UK companies, UK ideas and UK skills as a fertile "hunting ground" for inward investment and acquisition, then why in heaven's name don't we?

The UK Industrial Group's mission is to start rebuilding our manufacturing strengths to generate and sustain a balance of trade surplus. Financing a national industrial investment fund, as outlined in Manufacture to Survive, would not require calling on public funds. It would however, start to assuage the issues raised by both Tony Jackson and John Mulvey.

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Mr Rubin bides his time

Robert Rubin, the US Treasury secretary, was keen to avoid a public battle over Japanese economic policy last week during his trip to Tokyo. After two years of amiable co-operation, neither country wants a quick return to bad-tempered trade bickering. But the message of his comments was relatively clear: so far the US has been happy to play the role of global white knight to a Japanese economy in distress. But it will not let US consumers pay for the Japanese recovery forever.

The time for a reversal in the US stance has not quite arrived. The dollar has risen 50 per cent against the yen since the spring of 1995, and for the moment, at least, the US economy has the same reasons to favour dollar strength it has had all along.

It helps exert valuable, if modest, downward pressure on domestic prices. And most important, a weak yen provides insurance against another downturn in growth in Japan; a particular worry in the wake of last week's long-threatened consumption tax rise.

A persistently declining Japanese current account surplus provided a pleasing backdrop for the high dollar policy. As Mr Rubin noted, the Japanese current account surplus, at 1.4 per cent of GDP, is now less than half its level in 1993. The trouble is that it is rising again. Recent figures for January registered the first year-on-year rise since autumn 1995.

Recent merchandise trade figures have been even more incendiary, at least from the US perspective. Japan's trade surplus with the US rose to Y407bn in February, up from Y164bn the year before. Auto exports to the US, the perennial bugbear of US trade hawks, rose 75 per cent in the year to January.

These and other headline-grabbing statistics are likely to continue without a more broad-based recovery in Japanese demand and, ultimately, a lower dollar to make US imports less expensive in Japan. This is why US frustration at the Japanese authorities' determination to go ahead with the tax rises has been palpable.

Mr Ryutaro Hashimoto, the Japanese prime minister says the "big bang" financial sector reforms, coupled with other deregulatory efforts, will counterbalance the deflationary impact of the consumption tax rise. Yet the short-term effects of increased competition will almost certainly be the reverse, leading to lower prices and several companies going out of business.

The worry, then, is that the Japanese government is not matching its fine words about reviving domestic demand with the required actions. Thus, Japan could repeat its old trick of exporting its way out of recession without its trade partners getting so much as a look in. Mr Rubin knows this, but he would rather not say it. Yet.

Bankers' leap

In 1994, Bankers Trust lost more than just a strategy. By over-aggressive selling of risky financial derivatives to US industrial companies, it ended its chance of transforming itself from a commercial bank into a specialist derivatives house. Its decision to acquire Alex Brown, a medium-sized investment bank, gives it a second chance to regain its momentum.

The $1.7bn transaction also marks a new phase in the consolidation of American investment banking. The slow loosening of regulatory barriers to such consolidation, dating back to the 1933 Glass Steagall Act, has prompted US commercial banks to mull over acquiring investment banks. Although Glass Steagall's demise has been delayed, barriers to such deals are already low.

Bankers Trust's foray will not be the last. Other US and European banks want to acquire businesses that are big enough to form the base for an attack on Wall Street's biggest firms, yet small enough to absorb.

There is no reason for US regulators to attempt to stop it. Barriers between banks and securities firms may have served a prudential purpose in the 1930s, but that has long since been overtaken by changes in the relationship between banks and their customers. A bank which is only capable of offering loans to large companies has a limited future, especially when the margins that it can derive from lending money are so tiny.

Yet by buying Alex Brown, Bankers Trust is only taking a first step. The acquisition simply gives it a better chance to take part in a tough competition - to become one of perhaps half a dozen financial institutions that will provide financial services to companies all over the world. There are at least 15 banks and investment banks that have expressed an intention to win this fight.

Bankers Trust is in the right place from which to set out. US investment banks have set a standard of financial innovation and marketing skill which most European rivals are struggling to match. Furthermore, it has the luxury of a place in the world's largest capital market, which provides up to three-quarters of revenues for which aspiring global investment banks must compete.

But the erosion of Glass Steagall will also provide more opportunity for European banks to break into what has hitherto been a frustratingly closed US market. Those which have so far attempted to break into the US by hiring expensive employees from others have faced a difficult struggle. The example of Bankers Trust is likely to encourage them to take a bigger leap.

Non-exec pay

Quis custodiet ipsos custodes? Or to put it another way: how to determine the pay of those who determine directors' pay?

Glaxo Wellcome, the pharmaceutical giant, has just come up with what is for the UK a novel answer. It is to pay its non-executive directors partly in its own shares. The move deserves applause and emulation. It also shows how corporate governance in Britain is being influenced by the best US practice.

On both sides of the Atlantic, non-execs are playing an increasingly important role. The UK's Cadbury and Greenbury codes give them principal responsibility for executive remuneration and for company audits, on top of requiring them to exercise independent judgment on a company's affairs.

The challenge, in designing remuneration, is to attract high-calibre outsiders without making them financially beholden to the boards on which they serve. A cash fee agreed with the chairman or chief executive is not self-evidently likely to produce the best result. When combined as in some cases with perks such as pension benefits, such arrangements can undermine the willingness of outside directors to exercise independence of judgment or to speak up when things go wrong.

Part or whole payment in shares clarifies whose interests the non-executives are supposed to represent: those of the company's shareholders. It encourages them to strive for increased shareholder value – and to take the shareholders' part in conflicts of interest between owners and managers.

Two questions arise. First, are there circumstances – as some argue – in which payment in shares could compromise directors' independence? It is hard to see any. If directors are appointed – and required to hold shares – for, say, three-year terms, they will have an interest in long-term performance, which depends on a company's relations with customers and employees as well as shareholders. Stock options, by contrast, can encourage unwelcome short-termism.

Second, what is the right balance between cash and paper? Glaxo's scheme gives non-executives about 15 per cent of their salaries in shares; pension fund manager Hermes has proposed companies aim for half of non-execs' post-tax pay; America's National Association of Corporate Directors suggested two years ago that non-execs receive all their pay in stock, thus aligning their interests with the shareholders'.

That would probably be a step too far for the UK just now, given the need to develop a cadre of "professional" non-executives. But it is a worthy long-term goal.

Ladder out of poverty

The US is attempting to wean its poor off welfare, but early successes owe much to the strong economy, says **Patti Waldmeir**

It would be hard to overstate the degree to which Americans disapprove of those who do not work. More than in other societies, work is a moral issue. That lends a powerful dimension to America's biggest social policy experiment: welfare reform.

In a value system that equates joblessness with laziness – and sometimes explicitly with sin – welfare has long carried a social stigma. But in the new, more muscularly conservative America of the end-of-century, both the cultural and financial pressures to find work have grown exponentially.

Last summer Congress passed legislation to end 60 years of federally guaranteed welfare payments, and President Bill Clinton signed the bill into law. The legislation will force most welfare recipients to find work within two years, and will ensure that no one receives welfare payments for more than five years cumulatively over a lifetime.

Many factors converged to motivate what was essentially a middle-class revolt against the welfare state. Race played a role: most white Americans believe welfare recipients are overwhelmingly black, when in fact most are white. Working Americans have long nurtured a resentment against the stereotypical hate figure, the black "welfare queen", sitting inert before her television soap operas as the voices of her illegitimate children rise in cacophony around her.

Economic insecurity was also a factor, especially among white women forced into the workforce. "Half of women with children under three are now working," says Mr Robert Reischauer of the Brookings Institution. "And that made it hard for society to say that a whole segment of the female workforce [the welfare system mainly benefits single mothers] could stay at home."

He and most other scholars of welfare reform say it is too soon to draw up a balance sheet of successes and failures – even though 43 of the 50 states had their own reform experiments in place long before the federal legislation which is only now being implemented.

Welfare rolls had already shrunk considerably since reaching a record high in 1994. The number of recipients has fallen by 19 per cent over the past four years. But the reduction came at a time when most states had only pilot reforms in place. "We've seen a very dramatic drop in welfare caseloads, but it's a drop from abnormally high levels," says Mr Reischauer. The decline has simply eliminated the bulge of the last recession.

The strength of the economic recovery since then makes it impossible to gauge the effect of policy change alone. Even Mr Clinton does not claim more than 50 per cent credit. He said recently that economic growth explained half of the fall in welfare rolls, with the other half attributable to policy reform. His advisers do not pretend these are scientific figures: only after he had spoken did the White House Council of Economic Advisors put out estimates which, conveniently, tallied with those of the president.

But from the individual states comes anecdotal evidence not only of great turmoil among both recipients and the welfare establishment, but also of considerable excitement at the prospect of change. Welfare reform will largely succeed or fail at state, or even county, level. Last year's federal legislation marked a dramatic transfer of power to the states, which will henceforth receive only a lump sum of money for welfare payments. They will determine how it is spent, and who receives it.

Previously, families with children who met a federal definition of need were guaranteed assistance. States got matching funds from Washington to assist those who qualified. The federal law ends this system of "entitlement", replacing it with one that gives states flexibility to design their own programmes. The effort to reduce welfare caseloads is subject to certain restrictions: half the caseload must be working, or in "work-related activities" by 2002; 90 per cent of two-parent families must be working within two years.

No state programme is the same. States can determine who is eligible, and for how long – many will impose a lifetime limit lower than the maximum five years. They also decide what work incentives to offer, such as childcare, transportation costs, job search and training assistance, and even things such as work clothes and car repairs.

But the goal is always the same: not just to reduce the rolls, but to transplant the values of mainstream society into the welfare underclass. It is a grand social engineering project in behavioural change, and one that could have a big impact on the lifestyle and culture of a large chunk of the population.

Nowhere is this more so than in the Tireman district of inner-city Detroit, chosen as a pilot site for the state of Michigan's "project zero" programme, which aims to put all welfare recipients to work, either in the private sector or community service. Launched in 1992, Michigan's is the oldest state-wide programme in existence, though "project zero" was only launched last summer.

It would be hard to imagine a more difficult test site. To say the place is blighted would be an understatement: it is like the archaeological ruin of an urban civilisation in decline. There are some listless businesses, and a few dreary fast-food outlets, but much of the area is wasteland, concrete foundations where factories once stood, rusted metal supports for walls long gone. It is a place which saps energy and vitality. Over three-quarters of the population are unemployed; 98 per cent is black.

At the Tireman welfare office – or "Family Independence Agency" in the terminology of welfare new-speak – the task is to build an economic ladder out of this ruin, and to persuade "customers" to climb it.

"In the past, all they had to do was prove they were poor and the responsibility shifted to us," says Mr Ken Walker, who is about to retire after a career as a welfare manager. "We were committing people to a lifestyle of poverty in a culture that aspires to affluence. Now we're saying: 'this is not a place to park your aspirations'." Mr Walker, the project manager Mr Joe Moore, and their staff are all black people who have themselves climbed that ladder. Their values are drawn from the mainstream, where the work ethic has pride of place: they have little patience with "customers" who reject those basic principles.

But Tireman staff say most of their clients are eager to work, and hungry for the self-esteem that work brings. The work ethic casts its spell far beyond the middle-class. Even the jobless feel they "ought" to work; the stigma they suffer is a powerful incentive to employment.

Not powerful enough in the past to overcome barriers such as lack of healthcare, childcare and loss of benefit. "Under the old system, it took people three minutes to figure out 'it didn't pay to work'," says Mr Doug Stites, who heads Michigan Jobs Commission which oversees Michigan Works!, the agency charged with preparing welfare recipients for jobs. Working mothers lost Medicaid (health insurance for the poor), their benefits were cut and they had to pay for childcare and transport. Now the first $200 (£125.70) plus 20 per cent of monthly income do not count against benefit, childcare is paid, together with bus tokens or petrol costs, and Medicaid is available for a year. Recipients are also given "job readiness training", including how to dress for interviews, phone manner, and how to look for work.

"You find a barrier. We'll take it down," says Mr Stites, noting that the budget for Michigan's "Work First" programme, which pays to clear these barriers, has risen from $70m in fiscal 1996 to $80m in 1997. Governor John Engler, the driving force behind Michigan's reforms, has asked for nearly $100m for Work First in the forthcoming fiscal year. "If money can overcome it, we're willing to do it," says Mr Stites.

He says 70 per cent of recipients want to work and the other 30 per cent need to be "nudged, or convinced they can". Half of that 30 per cent will still refuse to work, and for them, he says, there are sanctions: including being cut off altogether.

On the face of it, Michigan's welfare reform is already yielding results: 114,000 welfare cases have closed since 1992. But strong economic growth explains much of the decline. "I've got more jobs than clients at the moment," says Mr Stites.

These are halcyon days for welfare reformers, even at Tireman, where strong growth in surrounding communities has made it possible to get three-fifths of Tireman "customers" working at least 20 hours a week, just since August. But now, says project manager Mr Moore, Tireman staff are getting down to the "bedrock" of cultural barriers which prevent work.

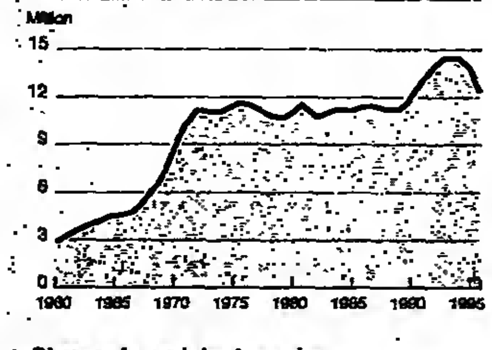
Mrs Zelda Gerard, a Tireman welfare worker, says the 19-25 age group is the toughest. "Their grandmother was on assistance, their mother was on assistance, and that's where they think they are supposed to be," she says with evident exasperation. A former welfare mother herself, Mrs Gerard has no patience for shirkers. She remembers starting out at a fish cannery – and the indignity of the fish scent which clung to her at all hours – to climb the proverbial American ladder.

But for welfare reform to work, new workers must not remain stuck on the bottom rung of the ladder in jobs which offer no remunerative incentive once childcare and medical assistance are withdrawn. They must climb to viable employment, and not fall off in large numbers at the first recession.

That will be the real test of America's grand experiment: can the dependency of decades be broken before the next economic downturn and can Americans create a system where it really does pay to work?

From welfare to work

Recipients of welfare

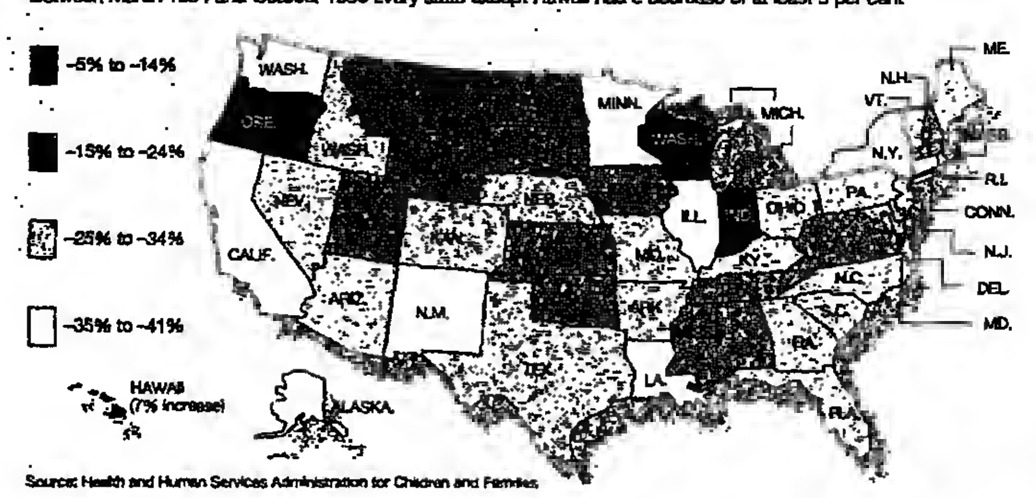


States with largest number of recipients

Million	March 1994	October 1996	% change
California	2.66	2.52	-5.4
New York	1.23	1.12	-11.0
Texas	0.79	0.63	-20.0
Illinois	0.71	0.61	-13.9
Ohio	0.69	0.53	-22.7
Michigan	0.67	0.48	-27.7

Change in recipient numbers

Between March 1994 and October 1996 every state except Hawaii had a decrease of at least 5 per cent



Source: Health and Human Services Administration for Children and Families

· O B S E R V E R ·

In Newman we Trust

■ Frank Newman always looked like a clever choice to replace Charles Sanford at the helm of Bankers Trust. When he arrived 18 months ago, the bank was down on its uppers; episodes like its embarrassing run-in with Procter & Gamble over duff derivatives had sapped confidence.

Coming directly from the US Treasury, where he was deputy secretary, 54-year-old Newman was ideally placed to reassure the regulators. Softly spoken and deliberate, he was also far removed from the deal-driven culture which was arguably at the root of the bank's troubles.

But having got Bankers Trust back on an even keel, no-one was sure what course Newman would plot. Some insiders even suspected that he'd been brought in to clear the decks before looking for a buyer. Yesterday's merger with Baltimore-based Alex Brown shows these suspicions were misplaced. Like last year's acquisition of mergers and acquisitions boutique Wolfensohn – which brought the respected talents of former Federal Reserve chairman Paul Volcker on board – Newman appears to be after a subtle blend of investment banking skills and gravitas.

Alex Brown is certainly long on the latter; America's oldest investment bank traces its roots right back to the partnership created by its eponymous founder in the early years of the 19th century. A deal with Charlie Sanford's Bankers Trust would have been all-but inconceivable. Massachusetts-born and Harvard-educated, Newman knows old-world charm when he sees it; he must be hoping that some rubs off.

Take note

■ Millionaire status is nothing to boast about in Italy, where five-figure taxi fares and six-figure restaurant bills are the norm. So it's not before time that parliament has voted to introduce a new half-a-million lire note; it's also decided to phase-out the miserable 1,000-lire variety – which these days doesn't even buy a cappuccino.

By cutting down the wads of notes needed for daily purchases, wallets will be thinner. Brown envelopes will be smaller, too. The Bank of Italy says the design of the new note has not been decided. Neither has the date when it will become legal tender.

But one thing seems sure: the long-mooted idea of a "heavy" lira – which would make money more manageable by lopping off some noughts – has finally been killed by the 500,000-lire banknote. And there could be a message too about Italy's real hopes of participation in the first wave of a single European currency. Why introduce a spanking new lire banknote if bright new euro varieties are around the corner?

Desert song

■ The tension on its southern border with Israel has not stopped Lebanon from trying to restore its reputation as a land rich with culture. This summer will see the first arts festival for 23 years to be held among the Roman ruins of the north eastern town of Baalbek.

In the 1950s and 1960s, Baalbek was Lebanon's richest cultural feast, graced by the likes of ballet star Rudolf Nureyev and pianist Sviatoslav Richter. The organisers have called on big names to put the festival back on the international map; cellist Mstislav Rostropovich has agreed to open the proceedings in July with a performance on the steps of the Roman temple of Bacchus. Other top-notch artists are being lined up, says organising committee president May Arida.

But while the event is being revived, there is no turning back the clock. Arida says western-style ballet is firmly off the agenda. No-one wants to offend the radical Moslem groups which made Baalbek their stronghold during Lebanon's long civil war.

Not a shred

■ Greville Janner, the feisty British Labour MP, shared a cup of coffee yesterday morning with UBS chairman Robert Studer, Switzerland's most powerful banker. They are hardly best pals. Janner has been leading the fight to unlock the dormant Swiss bank accounts of holocaust victims, while Studer's bank has been accused of shredding vital evidence.

But there are signs that Janner has been spending too much time in the company of Swiss bankers; he is starting to observe the same code of secrecy.

Instead of telling a British-Swiss chamber of commerce luncheon yesterday what he really thought of UBS, Janner was unusually diplomatic. It had been a cordial meeting, he proclaimed.

It was only as he left for yet another high-level get-together that Janner let slip what he really thought, muttering about rumours that virtually every UBS secretary has been given a shredding machine – a claim which UBS strongly denies.

The Financial Times

100 years ago

Manufacturing in Chicago
In manufacturing, the year in Chicago does not compare favourably with previous years, either in volume of output or in profits realised. Merchant iron has had very little demand, but pig-iron has found a very considerable customer in England. In the manufacture of bicycles, Chicago claims a virtual American monopoly, and we have the rather startling statement that "65 per cent of the bicycle tyres sold in this country are made here by one firm". Germany is pushing its goods in all directions here, and the British agent entertains the opinion of their being on the part of British traders a want of the enterprise which characterises the German.

50 years ago

Swedish Minister's Post
The Swedish Minister of Trade, Mr Gunnar Myrdal, has accepted an invitation to become head of the United Nations Economic Commission for Europe and will consequently leave the Government on the 15th of April. In the Opposition attack on the Swedish Government's economic and financial policy, Mr Myrdal was generally the most heavily criticised member of the Cabinet.

FINANCIAL TIMES
Tuesday April 8 1997

Currency sinks to four-year low against dollar

Japan's surplus rises 15% on weaker yen

By Gillian Tett in Tokyo

Japan's politically sensitive current account surplus rose te Y865.2bn ($7bn) in the month of February – up 15 per cent on a year earlier – fuelled by a weakening yen which yesterday sank te a four-year low against the US dollar.

The increase comes days after Mr Robert Rubin, US Treasury secretary, urged Japan to expand the economy by encouraging demestic demand instead of pursuing an export-led recovery.

Japanese government officials yesterday sought to play down the further weakening of the currency, arguing that the dollar's rise was largely driven hy the markets' differing expectations of interest rates.

Altheugh US interest rates are now on a rising trend, traders believe Japanese rates are likely to stay unchanged for some time.

The rise in the surplus, which economists in Tokyo yesterday forecast would climb even higher this year, prompted some unease from Japanese business.

Mr Shoichiro Toyoda of the Keidanren, the Japanese business federation, warned that any currency move above Y125 would be "overshooting". He added: "I think the dollar's rise to Y125 is excessive. A desirable level is between Y110 and Y120."

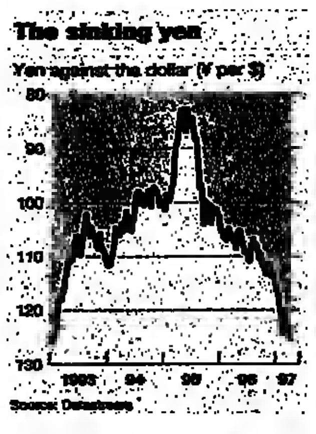
The rise in Japan's manufactured exports has prompted complaints from the US, particularly from car manufacturers concerned about competition from Japanese imports.

Yesterday's data alse suggested that higher exports were not the only element fuelling the surplus. A significant factor was growth in investment income from assets held overseas by Japanese, which rose from Y478bn in February 1996 to Y595bn.

This partly reflects the recent rise in Japanese overseas direct investment and portfolios. Mr Jesper Koll, chief economist at J.P. Morgan in Tokyo argued: "The reason the current account is rising is because of investment income – not that Japan is exporting its way out of a recession."

The manufactured goods sector was more patchy, with the merchandise trade halance improving to Y878bn in February, up 2.9 per cent on a year ago. Exports were 9.9 per cent higher and imports 12.2 per cent up. The monthly trade figures are very volatile as they are net seasonally adjusted. Separate data for the first 20 days of March suggest the custom-cleared trade surplus fell 33.8 per cent from a year earlier to Y337.48bn.

Editorial Comment, Page 15
Lex, Page 16
Currencies, Page 25



Diamond merchants courting Zairean rebel leader

By Michela Wrong in Mbuji-Mayi, Zaire

Diamond buyers and mining experts have begun courting Mr Laurent Kabila, the Zairean rebel leader, who yesterday flew into Mbuji-Mayi, the source of most of the country's diamond wealth.

Since rebels captured Mbuji-Mayi on Friday, Mr Kabila has received a series of visits at his base in Goma from executives anxious to renegotiate their mining agreements with the new power in the land.

Significantly, Mr Kabila flew to Mbuji-Mayi on an aircraft owned by a private businessman and one of the first men he greeted on the tarmac was an executive from Société Minière de Bakwanga (Miba), the state-controlled mining company which is Zaire's biggest single producer of diamonds.

Mr Kabila and his "finance minister" were later due to meet the head of Miba, a former ally of President Mobutu Sese Seko whe last month prompted an outcry by declaring his readiness to work with the rebels.

De Beers ef South Africa, organisers ef the uncut diamond cartel, yesterday confirmed it held talks with Mr Kabila at the weekend.

The group has an indirect stake in the Miba diamond mine at Mbuji-Mayi through its 20 per cent interest in Sibeka ef Belgium. Sibeka holds 20 per cent of the Miba mine, with the balance held by the Zairean government.

De Beers would not disclose details of the talks.

Coming just three days after fighters of the Alliance for Democratic Forces for the Liberation of Congo entered Mbuji-Mayi, Mr Kabila's visit was a symbolic show of strength by the movement which controls a third ef the country and is now poised to seize the coppermining town of Lubumbashi.

But it also served a more practical purpose. The gravel banks of the local Kanshi river, which yield most of the $300m-$400m of diamonds Zaire exports each year, offer an easily accessible source of income to fund their expanding war effort.

Both the head of Miba and the regional governor have refused to join the exodus of civil servants, government supporters and soldiers in the days before the town's capture.

Their decision to stay put is a reflection of the region's character. Stronghold ef the UDPS, the main opposition party, east Kasai has always been a rebel province and refused to acknowledge Mr Mobutu's authority.

Additienal reperting by Mark Ashurst in Johannesburg.

Beijing exploits EU split on Chinese human rights

By Tony Walker in Beijing and Lionel Barber in Noordwijk

Anger over Danish stance on 'critical dialogue' policy

China tried yesterday to drive a wedge between European Union members by threatening to retaliate against Denmark's condemnatien of its human rights record.

France, Germany, Italy and Spain oppose Denmark, which has sponsored a United Natiens resolutien condemning Beijing. They favour a "critical dialogue" with China, which said yesterday that Denmark would "end up as the biggest loser".

Denmark is supported by the US and a majority of EU member states, including the UK, which is taking a firm stand on human rights ahead of the handover of Heng Kong to Chinese sovereignty in July.

China's anger at Denmark fellows the EU's inability to agree on a consensus resolution criticising China before the UN human rights commissien which is meeting in Geneva. Mr Shen Guefang, China's foreign ministry spokesman, said: "Relations [with Denmark] will be severely damaged in the political or economic and trade areas."

EU policy on China was the subject of a rancorous debate among fereign ministers at last weekend's meeting at Noordwijk in the Netherlands.

The smaller members, led by the Dutch and Danes, prompted an avalanche of criticism about the big countries' retreat from a six-year-old cemmen European positien criticising China's record.

Many believe the switch is linked te their desire te strengthen commercial ties with China.

Mr Hans Van Mierlo, Dutch foreign minister, warned of tha dangers ef applying deuble standards on human rights and the need to avoid weakening the EU's credibility on the world stage.

But France, whose President Jacques Chirac visits Beijing next month on a high-profile trade mission, argued that annual resolutions attacking China at the UN gathering had outlived their usefulness.

EU efforts to have a resolution passed at the UN Commission on Human Rights have failed since Beijing's bloody crackdown on pro-democracy demonstrators in 1989. Each time China has rallied enough support from developing countries to block the move.

China is preparing a rearguard actien in Geneva to head off the Danish resolution, which is likely to cover basic human rights.

Beijing issued a "white paper" this month defending its human rights record and arguing that rapidly rising living standards are the best means of improving citizens' rights.

EU streamlining, Page 2

European bond and equity markets surge

Continued from Page 1

countries to meet the Maastricht criteria." Sterling gained nearly feur pfennigs against the German D-Mark yesterday, to break through its former European Exchange Rate Mechanism floor and reach its highest level since "Black Wednesday" in 1992.

The pound rode on the coattails of the dollar, closing at DM2.7884 in London, above its eld ERM floor of DM2.7780. That is sterling's highest level since its ERM membership was suspended.

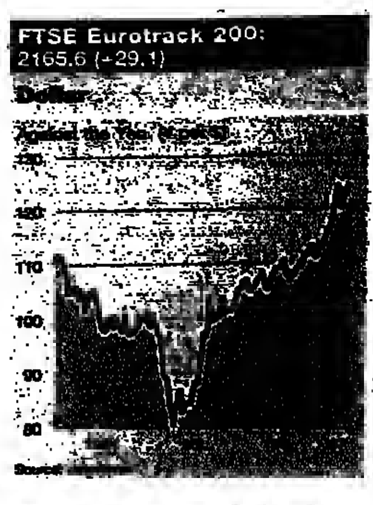
THE LEX COLUMN

Trusty bankers

Bankers Trust's $1.7bn purchase of Alex. Brown looks like a novelty – the first time a US commercial bank has bought a demestic securities business. But it simply opens another phase in the consolidation of US banking. With deregulation set to continue – Glass Steagall already has little bite left – revenues shrinking as the bull market slows, and competitien crimping margins, this can only intensify further. Doubtless the recent Dean Witter/Morgan Stanley tie-up also provided Bankers Trust's management with food for thought.

Strategically the deal makes sense. The two have complimentary client bases and products. Bankers Trust is strong in loan syndication and junk debt while Alex. Brown's strengths lie in equity research and underwriting. The two ought te be able to sell more to existing clients and the full service should help them attract new ones. The snag lies in the price. Bankers Trust has paid an effective premium of $27 per share, or $770m, on the fair market value of Alex. Brown. Certainly some premium was justified given Alex. Brown's excellent record. But with few obvious cost savings it will have its work cut out earning this back through synergies. The biggest short-term risk is a weakening environment fer underwriting equities, especially in the growth companies where Alex. Brown has specialised. But given that neither had much long-term future alone, it is better to have merged through choice than force.

FTSE Eurotrack 200: 2165.6 (+29.1)



Dollar/yen

The dollar's breezy passage through Y125 yesterday owes much to the silky skills of Mr Robert Rubin, the US treasury secretary. A week ago the fear was that the US would counter Japan's rising bilateral trade surplus by talking down the dollar, as it has done in the past. But by choosing to stress the advantages to the US economy of a strong dollar, be removed the political cap which the market believed existed at Y125.

Economically, ef course, a stronger dollar makes perfect sense. As last week's Tankan survey ef business conditions confirmed, the Japanese economy remains in fragila health. The stimulus of a weak yen remains important, especially when tougher fiscal measures are about to start biting. The outflow of Japanese investment funds ought further to boost this effect. With cash offering a measly ½ per cent return, and Japanese government bond yields little above 2 per cent, Japanese fund managers have little choice but to look abroad to meet required rates of return.

With the Bank of Japan likely to keep the discount rate low to offset fiscal tightening, this supportive backdrop to the dollar should persist. Besides, it will not have escaped Mr Rubin's attention that a strong dollar will help defuse pressure for higher interest rates. But further advances from current levels should be fairly sedate. If Japan's current account surplus continues to grow, this will eventually spill over inte a stronger yen.

Burmah Castrol

America's lean-burning engines may be using less of it, bnt Castrol remains ths lubricant of cheice among Bangkok's hikers. As ever, its producer, Burmah Castrol, is cruising along smartly in emerging markets – volumes in Asia Pacific rose 10 per cent last year – but fighting hard just to keep up with the traffic in the developed world. Castrol's consumer division spent more than 10 per cent of its sales – around £150m – on marketing last year, much of it to prevent Texaco and Pennzoil pinching a few tenths of a point of market share. In total, therefere, lubricants' profits rose just 6 per cent.

At least the group's second division, speciality chemicals, should push its operating margins into double figures this year, similar to Castrol's. But it is worth remembering that it has taken seven years since the Foseco purchase and countless bouts of restructuring to get this far. Investors will wait longer before they agree with the management that Burmah now has two similarly solid legs. Meanwhile, the group will do well to match last year's profits in 1997, given current exchange rates.

It is hard to see what might spice up this rather flat mixture – scarred by the Foseco experience, the management has ruled out big acquisitions. Burmah's underlying earnings growth at around 8 per cent is perfectly respectable, so the current 10 per cent discount to the stock market looks a little mean. But until sterling weakens, it is hard to get excited about the shares.

London Clubs

The referral of London Clubs' bid for Capital Corporation to the UK Monopolies and Mergers Commission is probably the Tory government's last gesture on competition. And it looks alarmingly like an old fashioned pat on the back for big business. It is certainly hard to spot commercial rationale for blocking the deal. An enlarged London Clubs would control 60 per cent of London's top-end casinos, but so what? The odds are fixed by the gaming board, so a strong market position has no effect on pricing. The deal would hardly hurt the general public, since these are private member clubs for the rich and generally foreign. Besides, competition for high-end casinos is on an international basis.

However, Rank and Ladbroke have both been keen to cherry pick casinos from London Clubs, and lobbying to block the deal on competitive grounds has been an essential part of their tactics. They will no doubt be delighted. The best-case scenario for them is that London Clubs gets permission to bid, but has to pass off some choice scraps from the table – like the Rendezvous Club, which is located in a Ladbroke hotel.

The chances are that London Clubs will be allowed to rebid after some minimal concessions. But it should not concede too much. Even under the old offer, it would have taken four years to get even a respectable return on its investment. Given the volatility of casino earnings that looks like a risk/reward ratio better left to its high-rolling clients.

Additional Lex note on British Energy, Page 23

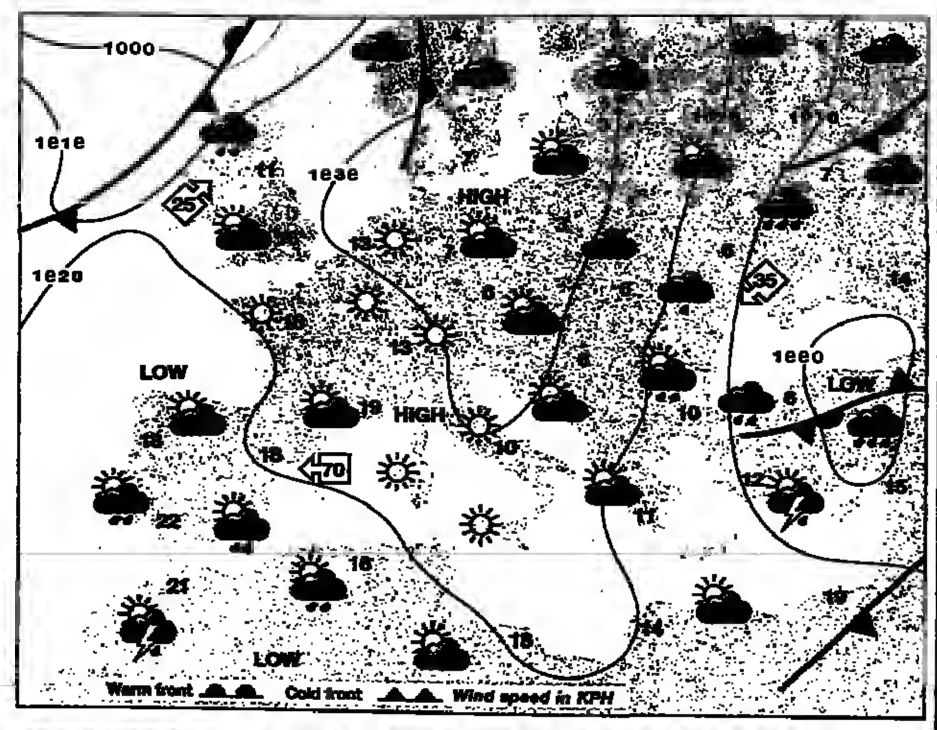
FT WEATHER GUIDE

Europe today

Sunny periods are expected over most of western Europe with temperatures ranging from 7C in Germany to 20C in France and Spain. A frontal system will bring cloud to Ireland and Scotland. Southern Scandinavia will have cloudy and rain. An area of low pressure will cause showers over the Iberian peninsula and gales on the western side of the Mediterranean. Turkey, Romania and the Ukraine will have plenty of rain because of low pressure over eastern Turkey. Temperatures just above 0C will combine with patches of light snow in the Baltic states.

Five-day forecast

Southern Spain will have showers. The area of high pressure over western Europe will slowly shift towards the Mediterranean. Sunny spells will still prevail over western Europe. Northern and eastern parts of Europe will continue to be influenced by low pressure.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	fair 30
Accra	thund 32
Algiers	shower 18
Amsterdam	sun 13
Athens	cloudy 12
Atlanta	sun 21
B. Aires	fair 21
B.ham	cloudy 14
Bangkok	shower 37
Barcelona	cloudy 17

Beijing	sun 19
Belfast	cloudy 14
Belgrade	rain 7
Berlin	sun 8
Bermuda	sun 24
Bogota	shower 18
Bombay	sun 33
Brussels	sun 13
Budapest	cloudy 5
C.hagen	fair 7
Cairo	fair 21
Cape Town	fair 21

Caracas	shower 30
Cardiff	cloudy 14
Casablanca	shower 20
Chicago	fair 4
Cologne	sun 13
Dakar	sun 24
Dallas	rain 19
Delhi	sun 32
Dubai	sun 30
Dublin	cloudy 14
Dubrovnik	fair 11
Edinburgh	cloudy 13

Faro	shower 21
Frankfurt	sun 13
Geneva	sun 17
Gibraltar	shower 15
Glasgow	cloudy 13
Hamburg	sun 10
Helsinki	sun 3
Hong Kong	fair 22
Honolulu	fair 26
Istanbul	rain 6
Jakarta	shower 32
Jersey	sun 15
Karachi	sun 33
Kuwait	sun 26
L. Angeles	sun 20
Las Palmas	fair 22
Lima	cloudy 25
Lisbon	shower 20
London	sun 15
Lux.bourg	sun 12
Lyon	sun 18
Madeira	fair 20

Madrid	shower 15
Majorca	shower 20
Malta	fair 15
Manchester	cloudy 15
Manila	fair 32
Melbourne	shower 18
Mexico City	fair 25
Miami	fair 30
Milan	fair 18
Montreal	shower 3
Moscow	cloudy 2
Munich	sun 8
Nairobi	fair 27
Naples	sun 14
Nassau	shower 29
New York	fair 11
Nice	fair 17
Nicosia	shower 15
Oslo	cloudy 8
Paris	sun 17
Perth	shower 26
Prague	fair 5

Rangoon	shower 37
Reykjavik	snow 2
Rio	thund 25
Rome	sun 16
S. Frsco	fair 18
Seoul	fair 17
Singapore	thund 32
Stockholm	cloudy 5
Strasbourg	sun 14
Sydney	fair 21
Tangier	shower 20
Tel Aviv	fair 20
Tokyo	fair 20
Toronto	shower 0
Vancouver	rain 10
Venice	sun 18
Vienna	fair 7
Warsaw	cloudy 4
Washington	sun 18
Wellington	rain 18
Winnipeg	fair -6
Zurich	sun 16

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday April 8 1997

Week 15

IN BRIEF

Time Warner in Spanish market

Time Warner, the US entertainment group, will today announce plans to build 20 multiplex cinemas in Spain over the next four years in a joint venture with Lusomundo, the Portuguese media company. Page 19

US steel giants confirm failed talks
US Steel and Inland Steel issued statements confirming they had been in merger talks for much of last year, but that the negotiations had been called off. Page 21

S&P puts Suez units under surveillance
Standard & Poor's, the credit rating agency, last night placed various enbsidiaries of Suez, the flagship French financial and industrial holding company, under surveillance ahead of its proposed merger with Lyonnaise des Eaux. Page 19

Commerzbank operating profits up 29%
Commerzbank announced a 29 per cent rise in its 1996 operating profits to DM1.86bn ($1.11bn), with pre-tax profits 50 per cent higher at DM1.79bn. Page 18

Fokker trustees dash hopes of recovery
The bankruptcy trustees of Fokker, tha Dutch aircraft maker, dashed remaining hopes over its future. Page 18

Mesa merges with Parker & Parsley
Mesa, the US oil and gas group founded 40 years ago by corporate raider Mr T. Boone Pickens, is to merge with Parker & Parsley Petroleum. Page 21

Hugo Boss to offer women's wear
Hugo Boss, the German men's clothing company, plans to diversify into women's wear by launching its first female fashion collection next January. Page 18

Malaysian utility to restructure
Tenaga Nasional, Malaysia's semi-privatised power utility, is to restructure in order to address the problems that led to a nationwide blackout last August. Page 22

Trafficmaster predicts profit
Trafficmaster announced larger than expected losses for 1996, but maintained it would make its first profit this year. Page 23

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Daimler Benz	138.8	+	4.95
Degussa	704.5	+	18.5
MAN	453.5	+	9.5
Porsche	1800	+	87
Schmalbach Lub	349.8	+	14.8
Volkswagen	911.5	+	24.5
NEW YORK ($)			
Rises			
Alex Brown	83⅞	+	10¼
Hambrecht Qst	20½	+	2¾
Morgan Keegan	18	+	2
Raymond James	23¾	+	2⅞
Falls			
Andina A	19¾	−	18¼
Material Sci	14⅛	−	3
LONDON (Pence)			
Rises			
Acorn Comp	240	+	25
CFS Group	83½	+	15
Tepnel Life	125½	+	49
Falls			
Drew Scientific	147½	−	47½
Superscape VR	347½	−	42½
Universal Salvg	135	−	67½
TORONTO (C$)			
Rises			
Amtelecom	5.0	+	0.5
Coreco	6.5	+	1.0
Multi-Corp	4.75	+	0.50
Falls			
Beacon Eye	3.45	−	0.45
Bre-X Minerals	2.44	−	0.74
Scorpion Mini	2.85	−	0.45

PARIS (FFr)			
Rises			
CLF-Dexia Fr	575	+	19
Elf Aquitn Cts	515	+	35
Renault	130.0	+	7.2
SGS-Thomson	418.9	+	35.9
Synthelabo	587	+	36
Falls			
Eridania B-Say	781	−	39
TOKYO (Yen)			
Falls			
Chuo Tst & Bkg	641	−	88
Long Term Cred	352	−	38
Miyaji Iron Wkr	320	−	30
Nppn Credit Bk	161	−	28
Matsumatsu Cnst	825	−	63
Yaohan Japan	290	−	33
HONG KONG (HK$)			
Rises			
Applied Intl	0.62	+	0.07
First Sign Intl	1.89	+	0.21
Paul Y Const	1.55	+	0.15
Shum Yip Inv	4.30	+	0.23
Techtronic Ind	1.08	+	0.08
Falls			
Culturecom	0.31	−	0.02
BANGKOK (Baht)			
Rises			
Imperial Hotel	25.25	+	2.25
Falls			
Book Club	23.0	−	2.5
Nam Seng Ins	131	−	15
Thai Factory Dev	38.75	−	4.25
Thai Union Fr	24.50	−	2.75
Yongthai Chem	21.00	−	3.75

New York and Toronto prices at 12:30.

Framatome pessimistic about GEC deal

Confusion as French board says talks on the nuclear group's future have collapsed

By Bernard Gray in London and Andrew Jack in Paris

Talks between the French government and General Electric Company over the future of Framatome, the French nuclear engineering group, have collapsed, according to the Framatome board.

Framatome said it had been told by its main shareholders, the French state and industrial conglomerate Alcatel, that a deal to merge the company with GEC Alsthom, the power engineering group jointly owned by GEC and Alcatel, was now highly unlikely.

However, GEC said last night that, while there was no agreement on what should happen to Framatome, it had not heen officially told that talks had collapsed. It said its executives would be travelling to Paris later this week to discuss the issue with its industrial partners.

The confused state of affairs follows a meeting in Paris at the end of March between Mr Franck Borotra, the French industry minister, and Mr George Simpson, the new managing director of GEC.

Mr Borotra repeated thet the French government would like Framatome to become part of GEC Alsthom. However, concerns over national security meant that most of the nuclear business would have to remain in French hands.

Mr Simpson said GEC understood the security concerns and would like to be helpful in bringing the two businesses together. However, it was not prepared to dilute its shareholding in GEC Alsthom below 50 per cent.

GEC has proposed a number of alternatives to a full merger of GEC Alsthom and Framatome to allow a French majority shareholding in the merged group, including GEC Alsthom huying a minority stake in the business. These are not thought to have impressed the French government, however.

GEC Alsthom and Framatome had raised the prospect of a merger at the end of August last year, hut the deal was called into question after a strong public reaction pushed the government to impose tough conditions.

The deal was seen as tidying up the Anglo-French power engineering sector by pulling both nuclear and non-nuclear generation together and putting GEC Alsthom on a par with competitors such as ABB, the international engineering group, and General Electric of the US. It would also have released cash to Alcatel to pursue expansion elsewhere.

GEC had accepted the reasoniog, but said that with nuclear generation unattractive at present, it was not prepared to accept the loss of control implied by the French government's terms.

Framatome stressed it was under no immediate financial pressure to find a partner. It unveiled 1996 results up sharply, with net profits of FFr894m ($156m).

Chief executive Jonathan Fry: objections to single currency

Burmah Castrol chief hits at Emu

By Jane Martinson in London

The head of Burmah Castrol accused continental European governments of deliberately depressing consumer confidence in the pursuit of monetary union yesterday as the lubricants and chemicals group warned a strong pound would hit profits this year.

Mr Jonathan Fry, chief executive, said he was "against the single currency as it applies to Britain's situation and Burmah Castrol's".

He particularly criticised Germany for "making consumer confidence deteriorate as a matter of policy". Group profits in Germany, Belgium and Austria fell last year.

Although Eurosceptic politicians and economists have often linked the rush to meet the Emu criteria with slow growth in Europe, it is unusual for a company to do so.

Mr Fry's comments came as Burmah reported a 10 per cent rise in pre-exceptional net income to £148.7m ($236.43m) last year, from £135m a year earlier. Sterling's strength had dented the bottom line by some £3.4m, although this was offset by tax savings from the payment of a foreign income dividend.

The group indicated thet if the pound continued to he strong, earnings would fall 9 per cent in the current year.

The ehares rose 16¼p to £10.14, in spite of the currency warning, as Mr Fry made a relatively upbeat trading statement, particularly about developing markets.

Mr Paul Spedding, analyst at Kleinwort Benson, said there was some relief that 1997 earnings were not going to he "trashed hy the currency issue". Most brokers are forecasting flat earnings for the year to March 1998.

Operating profits rose 4 per cent to £280.6m, from £270.9m, in spite of flat sales at £3.06bn. On a constant currency basis profits increased 7 per cent.

The strongest growth came from developing markets, particularly Asia-Pacific.

Profits from the group's biggest lubricants division rose 6 per cent to £210m on a constant currency basis, while the chemicals division's profits rose 9 per cent on a constant currency basis to £66m.

The group gained an exceptional £11m after the sale of its fuels business offset losses on other units. The sale also helped cut gearing to 22 per cent from 43 per cent. The group said it planned increased investment and capital expenditure.

The total dividend on an underlying basis rose 10 per cent to 33.45p, with the enhanced foreign income dividend adding another 6.20p, or 9 percentage points.

Earnings per share rose 9 per cent to 71.1p, from 66.9p, on a constant currency basis.

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Bankers Trust and Alex. Brown merger tests the US Glass-Steagall law

Banking deal blurs sector's old divisions

By Tracy Corrigan in New Ynrk

It all started with a social chat between a director of Bankers Trust, the New York-based commercial bank, and a director of Alex. Brown & Sons, the Baltimore-based investment bank founded by Irish-born Alexander Brown in 1808.

According to the protagonists of the largest merger to date of a bank and a securities firm in the US, this led to a conversation between the respective beads of the companies, Mr Frank Newman of Bankers Trust and Mr A. B. "Buzzy" Krongard of Alex. Brown.

Describing the courtship on a conference call yesterday, Mr Krongard said: "Frank and I started off liking each other. That grew into respect and then into trust. You can move pretty quickly because when the guy on the nther side says 'don't worry about that', you don't."

However, the deal – reached by telephone on Saturdey night – would have been difficult without the recent relaxation of Federal Reserve Board rules governing the operation of securities business by commercial banks.

Last year the Fed increased the proportion of revenues from corporete underwriting permitted within a bank's securities subsidiary from 10 per cent to 25 per cent, further weakening the theoretical separatinn of commercial and investment banking under the Glass-Steagall law introduced during the Depression.

According tn Mr Newman, the merger will take that level to around 20 per cent: "well in excess of the 10 per cent of the old limitation". This rule had already allowed considerable flexibility for banks.

But the merger is an "extraordinary test of Glass-Steagall", said Mr Charles Wood, managing director, corporate finance at Price Waterhouse. While banks like Bankers Trust and J.P. Morgan bave developed their capital markets businesses in recent years, "no one has really tackled it in this fashion, by buying a nationally recognised investment bank... We could well see a shift towards European-style universal banking."

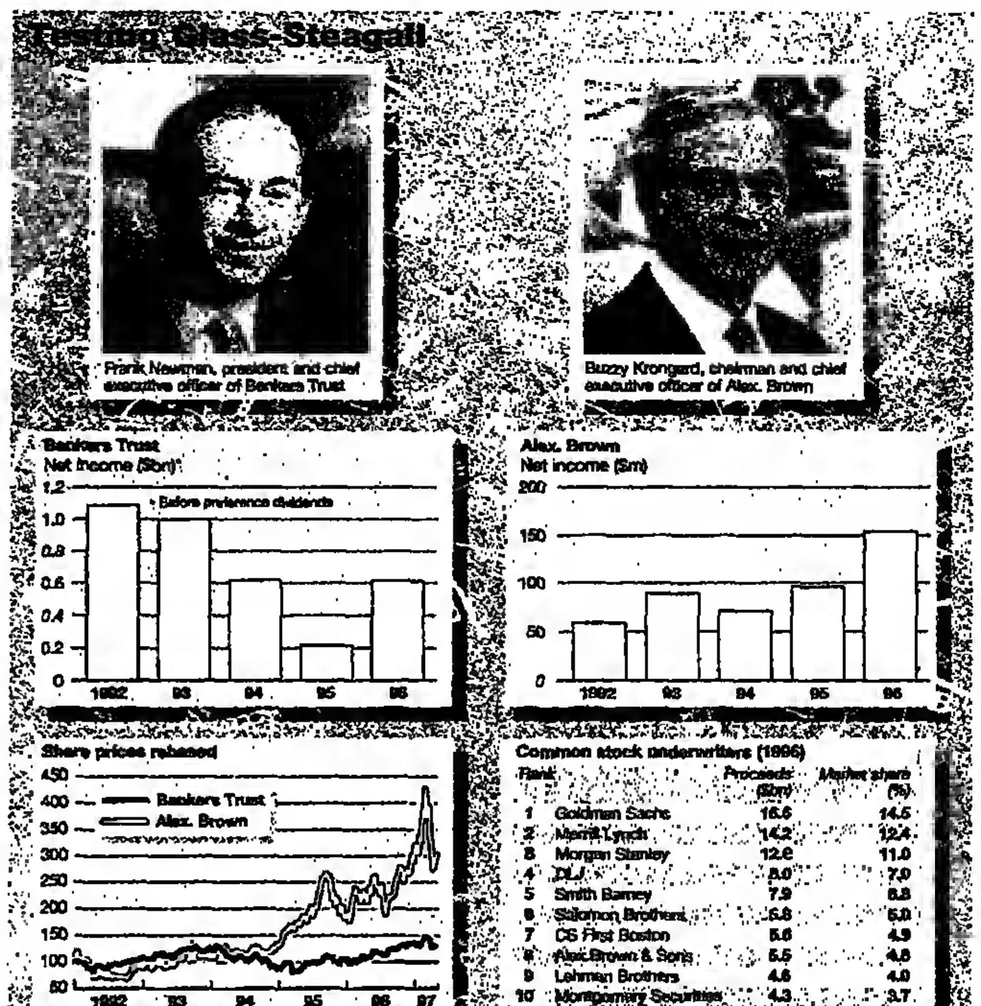
In fact, the deal is likely to be seen as a further step towards the collapse of the Glass-Steagall law, as the dividing line between commercial and investment banks becomes increasingly hlurred. This bas already started, as commercial banks like Chase have moved aggressively into bond underwriting, and investment banks like Salomon Brothers and Goldman Sachs bave developed syndicated lending departments.

Among the large US bank holding companies believed to be interested in buying securities firms are BankAmerica, Chase Manhattan, First Union and CoreStates. However, the Fed is believed to take a rather dimmer view of acquisitions by foreign banks.

While Bankers Trust is technically a commercial bank, it does not fit the traditional mould. "Bankers Trust does not have branches," said Mr Krongard, adding that there would not be the culture clash of many commercial and investment bank mergers.

As consolidation accelerates, the danger for acquisitive banks is that they could be paying premium prices for acquisitions at the top of the cycle. Bankers Trust is paying more than two and e half times Alex. Brown's hook value - above even the elevated 2.2 times book Dean Witter paid for Morgan Stanley.

"The business logic is so eminently clear," says Mr Newman, that the theoretical valuation is not relevant. The plan is that Alex. Brown's strong equities business will complement Bankers Trust's fixed income securities and lending business.



Nomura slips as top Tokyo trader after scandal

By Gwen Robinson in Tokyo

Nomura Securities has lost its position as the largest trader on the Tokyo Stock Exchange as a result of the suspension of dealing orders after company officials last month acknowledged their involvement in illegal trading activities.

The growing scandal over deelings by the largest of Japan's Big Four brokers with sokaiya, or corporate gangsters, along with accusations that it ensured stock trading profits for a company linked to racketeers, has taken its toll on Nomura's investment banking business as well its stock trading activities.

Nomura handled only 9.2 per cent of all shares traded on the Tokyo Stock Exchange in March, after the company's admission on March 6 of improper dealings. Nomura carried out 11.4 psr cent of stock trades in February, and had been the leading trader for five years.

Daiwa Securities took the lead in March with e 9.6 per cent share of all TSE stock trades. Foreign brokers increased their share in March to nearly 30 per cent of all TSE stock trades.

Many Japanese financial institutions – including the Nomura group's own investment management arm – have suspended dealings with the company.

Keio Teito Electric Railway last week chose Daiwa Securities and Sumitomo Trust Securities as lead underwriters for a Y30bn ($243.9m) bond issue. Nomura, which has acted as Keio's lead underwriter for some years, was excluded even from acting as a syndicated underwriter. Kansai Electric Power and Shikoku Electric Power, leading utilities companies, have dropped Nomura as a bond underwriter, in moves likely be followed hy other power suppliers and puhlic utilities.

Nomura suffered a eimilar downturn in husiness in 1992, shortly after company officials were found to have illicitly compensated favoured customers for share losses and assisted corporate gangsters to corner the shares of a railway company.

The company's top executives, including the chairman and president, resigned over the scandal. Analysts are warning that this time the pay-off revelations could inflict more damage on Nomura than previous scandals.

Nomura's share price bas fallen from Y1,580 on March 6 to close yesterday at Y1,260 – close to its low of Y1,210, reached at the height of the earlier scandal in March 1992.

In the lunger term, however, Nomura's woes might have a beneficial effect on the financial industry, said Mr James Fiorillo, financial analyst at ING Barings in Tokyo.

The scandal might be evidence of stronger policing on the part of the authorities, be said. That might lead to further exposés in the securities industry and, ultimately, a natural process of daregulation, Mr Fiorillo added.

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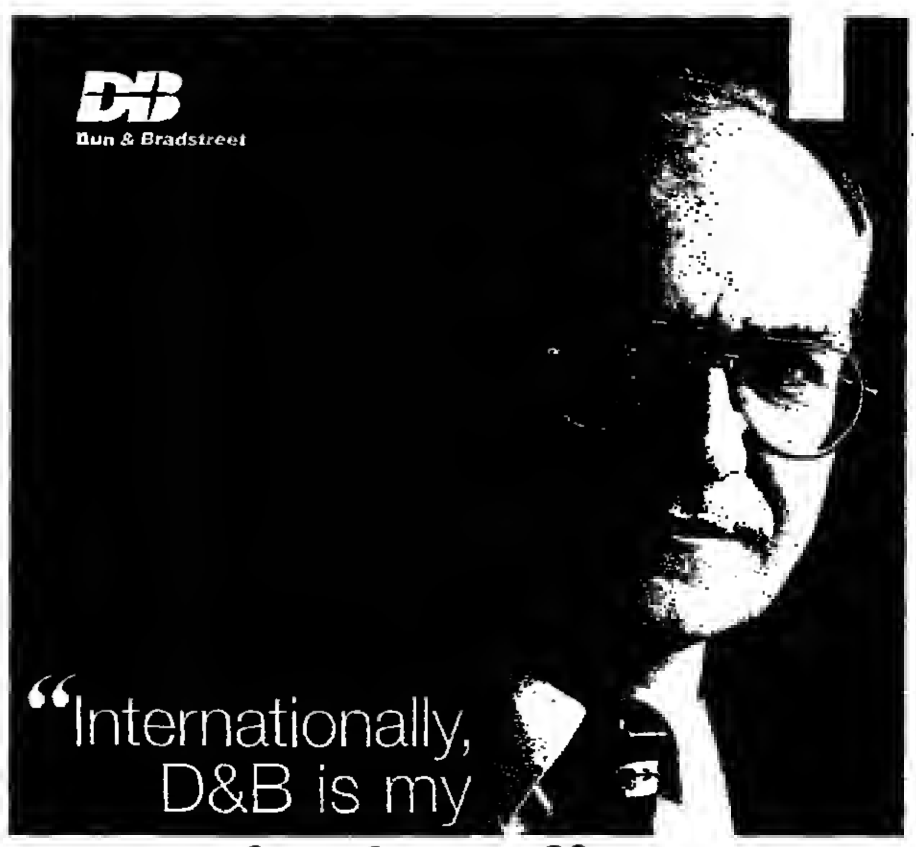


Fokker receivers kill hopes of rescue

By Gordon Cramb in Amsterdam

The bankruptcy trustees of Fokker, the Dutch aircraft maker, yesterday dashed any remaining hopes for its future, saying the "chance of the business getting off to any form of a restart would now seem to be ruled out".

Their assessment followed the withdrawal from a rescue consortium of Stork, the local industrial services group which last July bought Fokker's profitable components and maintenance division. Stork said it no longer considered itself bound by an outline agreement reached last month, which was intended to support a Malaysian-backed takeover.

Khazanah Nasional, the Malaysian state investment group, had been given until May 1 to examine Fokker's books before deciding whether to become the largest single shareholder in a Fl 1bn ($531m) relaunch. But Stork complained yesterday that Khazanah had refused to help fund any initial costs, and had not endorsed the memorandum of understanding agreed by the Dutch parties.

Stork was also unhappy with the business plan drafted by Mr André Deleye, the Netherlands-based Belgian businessman who initiated the project.

In any event, time had run out because Fokker had lost suppliers and other key resources. The receivers said: "The construction of the final three aircraft has almost been completed. Because of this, many employees have left in the past few weeks. In the opinion of the bankruptcy trustees and the management team, the minimum infrastructure required for a restart in accordance with the plans of the MoU partners is no longer available."

Fokker's final F70 was rolled out last Friday at its assembly base near Amsterdam's Schiphol airport, and the remaining F50s are due to be completed in the next few weeks. Short Brothers of Northern Ireland, which had supplied wings, dismantled its production line late last year after delivering the last set, but said it was willing to sell the equipment to a new manufacturer.

Fokker collapsed more than a year ago after Dasa, part of Germany's Daimler-Benz, declined as controlling shareholder to inject fresh funds. Of more than 5,500 staff, only some 200 remain, although about 2,400 joined Stork when it paid Fl 302.5m for Fokker Aviation, the services division.

The terms of its purchase from the receivers oblige Stork to surrender the bulk of the unit if this is required by a relaunched manufacturing operation. Even if no more Fokkers are built, Stork will have work for the next quarter-century in servicing the 1,200 still in use.

Hugo Boss to launch women's wear range

By Graham Bowley in Frankfurt and Alice Rawsthorn in London

Hugo Boss, the German men's clothing company, plans to diversify into women's wear by launching its first female fashion collection next January.

News of the launch coincided with the disclosure by the company of a 31.2 per cent increase in net profits to DM76.1m ($45.4m) in 1996. It follows last month's merger between Marzotto, its Italian parent company, and HPI, the industrial holding company recently demerged from Italy's Gemina group, to form one of Europe's biggest textile and clothing concerns.

The merger – seen by some analysts as the first attempt to create a rival to LVMH, the French luxury goods group – puts Hugo Boss into the same stable as Fila sportswear and GFT, which manufactures clothes for fashion designers such as Giorgio Armani and Gianfranco Ferre.

It marks the culmination of an unsettling period for Hugo Boss after the surprise departure this year of Mr Peter Littman, its former chairman. Mr Littman was credited with transforming the company's fortunes by rejuvenating its image and expanding its international activities.

The results disclosed by Mr Joachim Vogt, his successor, affirmed that Hugo Boss had continued to expand during the final year of Mr Littman's chairmanship.

Hugo Boss mustered a 10.5 per cent increase in sales to DM995.3m in 1996, when earnings per share rose by 10.3 per cent to DM107. The board proposes to pay a bonus dividend of DM57, as well as an increased dividend of DM45 for common shares and DM46.50 for preference shares. Excluding the tax impact of the special dividend, net profits were 11.9 per cent higher at DM64.9m.

Mr Vogt forecast continued growth for 1997, predicting an increase in net profits of at least 5 per cent on constant exchange rates. Hugo Boss shares rose DM25 to close at DM2,095.

The plans for the women's wear range, which will be marketed initially in Germany, The Netherlands, Austria and Scandinavia, were not entirely unexpected. Hugo Boss recently unveiled proposals to introduce a woman's perfume, Hugo Woman, in August, as a counterpart to Hugo, its male fragrance.

Ms Julie Statham, an analyst at BZW in Frankfurt, described the women's wear initiative as a shrewd one, not least because it should be "relatively simple" to extend the "rather androgynous" advertising image of the company's Hugo brand to a female collection.

Sales of expensive clothes and cosmetics have risen rapidly during the mid-1990s, because of robust demand from established markets of North America and western Europe, and strong sales growth in emerging markets such as Latin America and south-east Asia.

Joachim Vogt: predicted earnings growth of at least 5 per cent for 1997 AP

Commerzbank reports operating profit up 29%

By Andrew Fisher in Frankfurt

Commerzbank yesterday announced a 29 per cent rise in its 1996 operating profits to DM1.86bn ($1.11bn), with pre-tax profits 50 per cent higher at DM1.79bn.

As indicated when the German bank released preliminary figures at the end of January, net income was 24 per cent higher at DM1.21bn. Analysts were then disappointed with the after-tax figure, having put it at up to DM1.3bn.

The bank, which will present full details today, said costs had been kept under firm control last year. However, the rising trend of corporate insolvencies had led to higher loan-loss provisions. Total risk provisions were 37 per cent higher at DM1.22bn, after including profits on securities in its liquidity portfolio.

Commerzbank said shareholders would be asked at this year's annual meeting to approve a rise in authorised share capital of a nominal DM200m, with a further DM50m for employee share issues. It plans issues of up to DM2bn of profit-sharing certificates and DM1bn of convertible and option loans.

The bank recently agreed to buy Montgomery Asset Management of the US, which handles about $8bn of funds for institutional and retail investors. San Francisco-based Montgomery will continue as an independent unit, strengthening Commerzbank in the US and emerging markets.

● Munich Reinsurance, the world's biggest reinsurance company, plans to take advantage of exceptionally low interest rates by taking out a long-term bank loan of DM1bn. This would also create additional scope for future growth, though there were no specific plans.

UBS ahead of its Swiss rivals in private banking

By William Hall in Zurich

Union Bank of Switzerland, which is struggling to maintain its position as Switzerland's biggest bank, has emerged as the most profitable in the country in terms of private banking and asset management, two of the three areas in which it wants to be a global competitor.

UBS made pre-tax profits of SFr1.63bn ($1.14bn) from private banking in 1996. Credit Suisse made SFr1.36bn and Swiss Bank Corporation SFr1.3bn. It also earned SFr280m from institutional asset management, compared with SFr111m earned by SBC Brinson and SFr195m reported by Credit Suisse Asset Management.

Analysts believe UBS has been forced into more detailed disclosure of its results by the other two banks, which broke them down for the first time when they reported last month.

UBS said the breakdown had not been available when it announced its annual profits in February.

The figures help confirm UBS's strategy of relying on organic growth for much of its expansion. UBS has been successful in building profits in the trading, sales and risk management division, which contributed SFr680m to profits last year.

UBS's corporate and institutional finance division reported a loss of SFr650m in 1996 and its Swiss retail operations lost SFr130m.

The bank is Switzerland's strongest in terms of capital and made the smallest loss of the big three Swiss banks last year. But in terms of operating income and assets it is smaller than arch rival Credit Suisse, and, with its shares underperforming, it is in danger of being overtaken as the biggest Swiss bank in terms of stock market capitalisation.

INTERNATIONAL NEWS DIGEST

La Caixa raises stake in Repsol

La Caixa, the Barcelona-based savings bank, has invested an estimated Pta35bn ($247m) to raise its stake in Repsol, Spain's blue-chip oil, gas and chemicals group, from 5 per cent to 7 per cent. The equity acquisition, which was made over the past three months, came ahead of the full privatisation of Repsol through the sale of the state's remaining 10 per cent stake at the end of this month.

The stock purchase consolidates La Caixa's position as a core Repsol shareholder, on a par with Banco Bilbao Vizcaya, which also controls 7 per cent. Pemex, the Mexican oil producer, is the group's third main shareholder with 5 per cent.

The disposal of the state's remaining Repsol stake will be completed on April 28, when the issue price is fixed. It is expected to raise some Pta170bn. The company's shares put on 2 per cent yesterday, in line with the Bolsa's general index, to close at Pta5,960. *Tom Burns, Madrid*

Israel Discount oversubscribed

The government's sale of 8.5 per cent of Israel Discount Bank, the country's third largest, was yesterday 1.7 times oversubscribed by institutional investors. The government hopes to raise Shk607m ($180.67m) through its latest sale, which includes a further 8.5 per cent to domestic investors. Before yesterday's sale, it held 79 per cent, which it plans to reduce to 51 per cent by the end of the year.

Mr Meir Jacobson, managing director of MI Holdings, the agency charged with privatising the bank, said Merrill Lynch, the US investment bank, had taken Shk6.4m worth of shares, including warrants. The price was set at Shk160 for a package of five shares. Analysts gave a cautious welcome to the sale of the first tranche, given that the privatisation of Israel Discount has been postponed because of its fourth-quarter debt provision and exposure to lending to the real estate sector, which has slowed considerably in recent months.

Judy Dempsey, Jerusalem

Energy Africa lifts Engen

A strong first-year performance from Energy Africa, the African oil and gas explorer, helped Engen, South Africa's biggest oil retailer, report a robust increase in first-half profits. Operating income was 19.5 per cent higher at R288m ($65.25m), in spite of volatile crude prices and narrower refining margins. Earnings per share rose 22 per cent to 107 cents, but failed to match the growth in turnover, which increased by a third to R6.9bn in the six months to February 28. The interim dividend was 65 cents, compared with 58 cents a year ago.

The results were in line with analysts' expectations. Mr Rob Angel, chief executive, said the improvement reflected a continued increase in demand for petroleum sales. However, if the falling trend in crude oil prices continued, he expected weaker results in the second half. The contribution to net income of Energy Africa, the upstream business listed in February last year, rose from R7m to R8m over the period.

Mark Ashurst, Johannesburg

CME in Hungarian TV move

Central European Media Enterprises (CME), the US pioneer of private commercial television in central and eastern Europe, has joined three Hungarian companies to bid for Hungarian national TV licences. If its bid succeeded, the consortium would create a channel called IRISZ TV, CME said. The licences are scheduled to be awarded in June. The group last year reported losses of $80m, against a deficit of $18.7m in 1995, in spite of a 37 per cent surge in turnover. It blamed heavy start-up costs and development expenditure throughout its target region. *AP-DJ, Bermuda*

Parmalat, Beatrice close to deal

Parmalat, the Italian dairy products group, is close to concluding its C$290m (US$208.6m) acquisition of Beatrice Foods of Canada. Beatrice said yesterday the purchase was scheduled to close on Thursday, at an agreed C$30.50 a share. It said the per-share price was subject to post-closing adjustments, which could result in an increase or decrease of C$1.58 a share. Parmalat, based in Italy, operates more than 80 plants in 20 countries, supplying milk and dairy products. *AP-DJ, Toronto*

COMPANIES AND FINANCE: EUROPE

Metra builds mass for survival

The Finnish engineering group has focused more closely on fewer businesses

Fergus Wilde

Georg Ehrnrooth: 'Where we didn't have the strength to go global, we have sold out'

Metra, the Finnish industrial group, has been no stranger to change since its creation in 1991. In six years it has transformed itself from a conglomerate with interests spanning construction materials to industrial holdings, into the world leader in diesel engines for the shipping and electricity generating industries.

A key plank in this facelift fell into place last week when European competition authorities gave the green light for the merger of Wärtsilä Diesel, Metra's diesel engine operations, with Fincantieri Cantieri Navali Italiana, the state-owned Italian shipyard.

The joint venture, in which Metra is to hold an 85 per cent stake, takes the Finnish company into a new phase, creating a group with annual sales of $2.4bn and a 25 per cant share of tha global market for medium-speed diesel engines, used to power the world's biggest ships.

Wärtsilä already accounts for more than 70 per cent of group sales and the Fincantieri deal will help fulfil the aim of lifting this to 80 per cent.

"It has been a very dramatic and successful transformation," says Mr Antti Pietarinen, analyst at Merita Securities in Helsinki. He rates Metra's management as one of Finland's best, a view reflected in an improvement in Metra's shares from FM170 at the start of last year to yesterday's close of FM289.

For Mr Georg Ehrnrooth, Metra chief executive, tha narrowed focus is a question of long-term industrial survival. in a global market, he says, companies must build critical mass to be competitive. "What we have done is to focus more closely on fewer businesses and decided to go global in them. Where we have seen that we didn't have the strength to go global, we have sold out," he says.

Through Wärtsilä, Metra is present in around 50 countries across five continents. The other big division, Sanitec, is Europe's largest supplier of bathroom ceramics.

In spite of the extent of its foreign intarests, Metra retains a quintessentially Finnish identity. A stalwart of the country's big engineering sector, it is controlled by the Ehrnrooth family, Finland's leading industrial dynasty.

Besides Metra, the Ehrnrooths' control a lina of Finnish blue-chip companies, inclnding Nokia, the telecommunications group. Like Sweden's Wallenberg family, with which thay are frequently compared, the Ehrnrooths have e record of loyalty to the companies they control and manage. Apart from Mr Ehrnrooth, two other family members sit on Metra's board.

Under their direction, the refocusing on core operations is set to continue. Metra's Imatra steel production unit is up for sale and a question mark hangs over Sanitec's future within the group. Its strong profitability helped Metra last year to offset weaker earnings in its diesel engines and steel divisions to keep overall group operating profits flat. Bnt given its consumer market orientation and the complete contrast to Metra's engineering operations, Sanitec would seem a likely candidate to be spun off or listed.

Metra may be thinking in that direction. Mr Ehrnrooth describes Sanitec as "too fine a company to be part of a bigger group. We want to profile it more and give it its own image."

At Wärtsilä, his plans include establishing production facilities in Asia beyond an existing plant in India. Asia, he says, will account for 50 per cent of the new power plants to be built in the next few years, in addition to the region's already two-thirds share of the world shipbuilding market.

At the same time, Metra has slimmed down its range of engines and raised levels of factory specialisation. By the end of 1997 it will have phased out its entire range of 11 engine models within four years, cutting the portfolio to six.

"Before we were making almost all engines in all factories but now the plants are focused. They produce either one or two engines, but not more." Mr Ehrnrooth explains. Metra will be hoping the increased focus on engineering will yield improved profitability at Wärtsilä, where operating margins were only 4 per cent last year.

This year, however, the group may be distracted by the not insignificant task of welding Wärtsilä and Fincantieri into a single entity. The group has made a FM100m ($20m) provision for merger costs this year and admits restructuring related to the merger is likely to hamper performance in 1997.

Additionally, there is the problem of big pricing pressure in the diesel engine sector. Prices have fallen 30 per cent per produced megawatt in the diesel engine division since 1993, and Mr Ehrnrooth sees no sign of a let-up.

The cumulative effect will put a brake on Metra's profits at a time when it would have hoped to be reaping the benefit of its global investments and new engine range. Operating profits last year were FM1.1bn on sales of FM11.7bn. Mr Ehrnrooth forecasts sales will rise to FM15bn this year, but expects only a "slight" rise in profits.

Yet Metra remains confident that the foundations being cemented today will produce higher margins and earnings from 1998. As Mr Ehrnrooth observes: "You have to play in the top league and not in the feeder league, because then you don't have the money to develop new products and be competitive."

Greg McIvor

S&P puts Suez units under surveillance

By Andrew Jack in Paris

Standard & Poor's, the credit rating agency, last night placed various subsidiaries of Suez, the flagship French financial and industrial holding company, under surveillance ahead of its proposed merger with Lyonnaise des Eaux.

The agency warned that the merger could weaken the financial structure of Suez, and that the group might be forced to sell a number of its subsidiaries in order to prevent a deterioration of its cash position.

In response to Suez's indication that it is likely to pay out to shareholders an exceptional dividend of up to FFr3.4bn ($603m), the agency placed debt issued by four of the group's subsidiaries under surveillance with "undetermined implications" while it carried out a more detailed analysis.

Among those affected by the change in status was Sofinco, Suez's consumer credit arm, currently rated at A- on its long-term notes.

However, Standard & Poor's emphasised the growing belief that the subsidiary might be sold as part of a reorientation of the group's strategy towards utilities and specialised financial services.

Crédit Agricole, the mutualist bank which owns 8.9 per cent of Suez and last year acquired Banque Indosuez from the group, is believed already to have an option to buy 20 per cent of Sofinco and to be interested in purchasing it outright.

The other instruments placed under surveillance were the treasury notes issued by Suez Finance and underwritten by the parent company, rated as A-2, and a series of short and long-term notes for Crédisuez and Banque La Hénin, which it said was tightly linked to the group.

Standard & Poor's did not change the status of Sélectibanque and Banque Monod. It said the ratings on these already reflected their more vulnerable position and minimal strategic importance to the group.

The action came after Suez disclosed it had sold its 50 per cent stake last week in Facto Holdings, the country's leading factoring company, to the joint owner, Heller of the US.

It refused to disclose the total value of the transaction, which will be credited to the 1997 accounts, but said it would provide a capital gain of FFr525m.

The deal comes ahead of a planned merger with Lyonnaise des Eaux, the utilities, communications and construction group, in which it holds an 18 per cent stake. Details of the long-awaited merger – including the size of the exceptional dividend – are due to be announced later this week.

Time Warner to attack Spain's cinema market

By Alice Rawsthorn

Time Warner, the US entertainment group, will today announce plans to build 20 multiplex cinemas in Spain over the next four years in a joint venture with Lusomundu, the Portuguese media company.

The move, which will create at least 800 jobs when the cinemas open, is part of an aggressive European investment programme by Warner Bros, the cinema-operating subsidiary of Time Warner.

Warner Bros already operates 25 cinemas in Europe, including 17 in the UK and four in Germany in conjunction with Village Roadshow, the Australian entertainmant group. It also runs three units in Portugal and one in Spain through its joint venture with Lusomundo.

All the new Spanish cinemas will be multiplexes operating under the Warner Lusomundo Cines de España brand. They will have an average of 10 screens.

Warner and Lusomundo currently operate one cinema in Madrid, and have secured four additional sites, including one in Barcelona and one in Zaragoza for a complex with seven screens and 1,900 seats which is scheduled to open in June.

Warner Bros is pursuing an equally ambitious programme of expansion in other European markets, with proposals to add a further 15 multiplexes to the Portuguese chain operated with Lusomundo.

In the UK, Warner Bros and Village Roadshow plan to build 23 new multiplexes by 2000.

They have started construction on complexes in Bolton, Leeds, Bristol and Sheffield, and are to build the UK's largest multiplex in Birmingham, with 30 screens and 4,500 seats.

The two groups also plan to expand their German interests by opening 16 new multiplexes ovar the next three years.

Other international cinema operators are expanding aggressively in Europe, where the number of multiplexes is significantly lower than in the North American market.

Virgin, the UK leisure group, is considering proposals to extend its cinema chain from the UK and Ireland to other European countries.

UCI, a joint venture between Universal and Paramount, the US movie studios, owned by Seagram and Viacom respectively, plans to open multiplexes in the UK, Germany, Austria and Spain.

It also intends to develop the new markets of Italy, Poland and Portugal.

COMPANIES AND FINANCE: THE AMERICAS

Opportunity tempts Cisneros

Venezuelan group finds it hard to focus on core businesses, writes **Raymond Colitt**

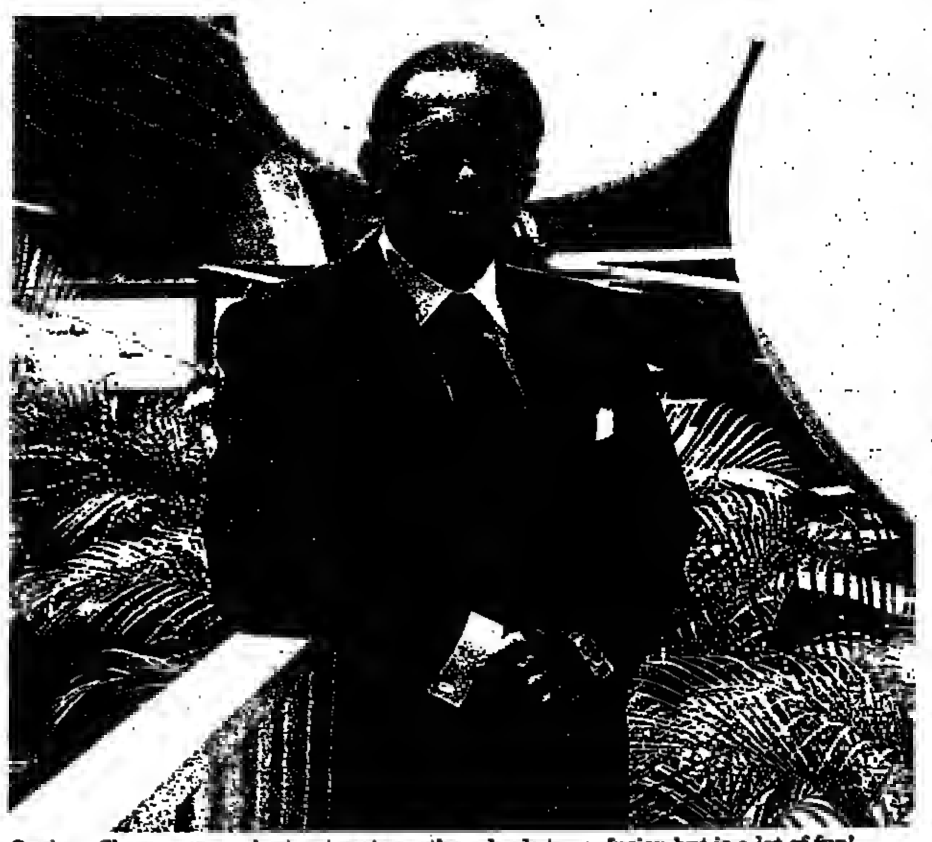
Long before foreign investment and trade barriers began to tumble throughout Latin America, Venezuela's Cisneros group had its sights set beyond its own borders.

Only a decade after the late Diego Cisneros founded his small trucking business in Caracas in 1930, he launched into the first international alliance with Pepsi-Cola and then acquired bottling franchises in Brazil, Colombia and eventually the US, with the purchase of the All American Bottling Company – one of the first leveraged buy-outs in the US.

"[My father] always believed in the convergence of North and South America, and made early investments outside of Venezuela," says Mr Gustavo Cisneros, chief executive and one of three principal shareholders.

"The group was definitely ahead of its time – very sophisticated," recalls Mr Harvey Schwartz, who negotiated with the Cisneros group in 1975 over the purchase nf a supermarket chain from the Rockefeller family.

Tnday, as one of Latin America'a largest multinationals – sales last year totalled \$3.6bn, from about 70 companies in 39 countries – its biggest challenge is to focus on its core businesses.



Gustavo Cisneros: group's structure 'sometimes leads to confusion but is a lot of fun'

Operating in a range of activities from gold mining to cellular telephony, and including retail franchises for Pizza Hut and Burger King restaurants, the group several years ago began spinning off businesses that "bad nn growth potential" and were not related to media, telecommunications, or entertainment in the widest sense.

In Veoezuela, Cisoeros sold off an ice cream manufacturer, the library rights to a record producer, and the Cada and Maxy chain of supermarket and retall stores. Last year the group received \$1bn for a 88.4 per cent share in Spalding and Evenflo, the producer of sports goods and baby products, which it hought for \$200m in 1984.

Many of these companies served as cash cows and – like the Cada supermarket chain, which was sold to Holland'a Makri, Colombia's Cadenalco and Venezuela's Polar – were heavily decapitalised. The result was a \$2bn cash pot that allows the group to finance the expansion of its regional media empire. Other than Spain and Portugal, which Mr Gustavo Cisneros considers a natural extension of doing business in Latin America, Europe is not part of the battle plan.

Building oo the success of its Caracas-based Venevisión, whose soap operas and coverage of the Miss Venezuela beauty pageant are exported world-wide, the group bought a television station in Chile, and stakes in TV stations in Trinidad and in Univisión, the leading US-Hispanic television network.

Two years ago Cisneros co-founded Galaxy Latin-America, a joint venture with Brazil's TV Abril, Mexico'a Multivisión and Hughes Electronics, a General Motors subsidiary, to provide direct-to-home satellite television. It also has a stake in DirecTV, the brand name programming used in many Latin American countries; the US DirecTV has more than 2.4m subscribers in the US and expects another 1m to sign on in Latin America by year-end.

Cisoeros is currently finalising a deal to bny Argentina's ImagenSatelital, South America'a largest subscriber television provider. Its television programming will soon be available from from Seattle to Santiago de Chile.

Other projects to expand and increase synergies are in the pipeline. Cisneros has signed a memorandum of understanding with Hughes Communications to launch a satellite telephone service by 2000, using its own multi-functional satellite.

Yet, as a pending expansion into India and a recent move into the oil industry attest, focusing on core businesses and on one region is not something that comes easy to Mr Cisneros. "I have an opportunistic streak that I have to control," he admits.

But Cisneros is not alone in its high-tech media and broadcast crusade through Latin America. Sky Latin America – a joint venture between Brazil's Globo, TCI of the US, Mexico's Televisa and Mr Rupert Murdoch's News Corp – is competing fiercely in Latin America's satellite television market.

The Cisneros group is managed much like a corporation, though the organisation of its top management is rather unconventional. Gustavo is said to be the long-term strategist, while his younger brother, Ricardo, is the operational manager. Yet there is not much of a functional or regional division of labour between the group's top executives, who "all share each other's jobs and work out of a 'virtual office' on the air waves of company telecommunications links", says Mr Steven Bandel, chief operating officer. According to Gustavo Cisneros, the arrangement "sometimes leads to confusion but is a lot of fun".

However, backed by an army of professional consultants, the Cisneros family have a reputation as shrewd, and at times, aggressive partners. "They're damn good negotiators and drive a hard bargain," says Mr Schwartz.

When the group dropped a 50-year alliance with Pepsi-Cola for its rival Coca-Cola, reactions ranged from admiration to contempt for the group's cunning, capability and ambition. For some, the move indicated a way of doing business, a zeal for growth that outweighs partnership loyalty. Yet Mr Eduardo Hauser, managing director, brushes aside such labelling, claiming PepsiCo had no growth strategy and that the relationship had soured long before.

The group also rejects charges that it has benefited from close contacts with politicians, especially with former Venezuelan president Carlos Andrés Pérez. According to Mr Clemente Cohen, former information minister and long-time observer of Mr Cisneros: "He certainly nurtures a lot of close relationships with politicians, but I don't see him pressuring or manipulating them in his favour."

The Cisneros drive a hard bargain within the group as well. When Mr Bandel recently sought \$100m to develop a project, he was denied the funds by the group's internal investment bankers, and turned to cheaper, outside financing. Gustavo's response is he does not intervene in successful business deals.

This is the last in a series on Latin American family-run companies. Previous articles appeared on January 17, January 27, February 13, February 18, February 28, March 12, March 21, March 27 and April 3

COMPANIES AND FINANCE: THE AMERICAS

Mesa to merge with Parker & Parsley

By Christopher Parkes in Los Angeles

Mesa, the US oil and gas group founded 40 years ago by corporate raider Mr T. Boone Pickens, is to merge with Parker & Parsley Petroleum to form a new Texas-based group to be known as Pinneer Energy Resources.

The all-share deal, in which Mesa stockholders will receive one Pioneer share for every seven of their existing units, and Parker investors will be offered a one-for-one swap, will result in the formation of the third largest independent in the industry, the companies said.

With an aggregate value of $4.2bn, including $1.3bn in combined debt, and reserves of more than 3,700bn cu ft in natural gas equivalent, Pioneer will rank behind Burlington Resources and Enron Oil.

Its resources will be evenly balanced, with 52 per cent in natural gas reserves, Mesa's main strength, and the balance in oil and liquids.

The new group, claiming combined earnings last year of $550m before tax, depreciation and amortisation, and "significant" existing borrowing facilities, promised a programme of accelerated development of reserves, exploration and strategic acquisitions.

Three-quarters of the $400m Pioneer bas budgeted for capital expenditure this year will be spent on maximising existing reserves by drilling up to 600 new wells, the companies said.

The link follows a trend in the US energy sector as large and small groups merge and forge strategic alliances to reduce costs and seek relief from relentless pressure on refining margins and the cyclical swings of the chemicals business.

As leading groups focus more sharply on exploration and production, competitive pressure is expected to mount on the dozens of independent producers in this sector.

Mesa, which slipped out of Mr Pickens' control last summer after the threat of a hostile bid obliged him to surrender a boardroom majority and a 32.5 per cent stake to investor Mr Richard Rainwater, last month spent $336m on buying two smaller US independents.

Parker & Parsley, which last year sold its Australasian operations, has also concentrated lately on building its US base through acquisition and increased exploration.

The new partners plan to share power at Pioneer, each nominating seven directors and joint control over the selection of the 15th board member. Mr Jon Brumley, Mesa chairman and chief executive since last summer, will be Pioneer chairman, while Parker's Mr Scott Sheffield will become president and chief executive.

Sleeping giant to shape up

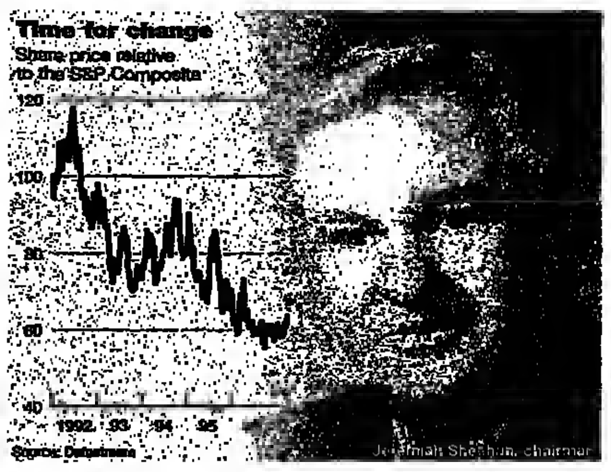
Reynolds Metals is considering spin-off of its packaging arm

Reynolds Metals, the world's second-largest aluminium company in terms of salaa, recently confirmed what it had been telling analysts for months: that it was considering splitting its packaging businesses from its slower-growing commodity metals side in an effort to put a shine on the company's share performance.

However, market-watchers caution that Reynolds' aluminium business needs shoring up before it can survive without operating subsidies from the packaging operations. They also warn that should a packaging spin-off be decided, it could take up to two years to put the proper legal and tax framework in place.

Mr Jeremiah Sheehan, appointed Reynolds chief executive last October, is expected to pursue less dramatic pruning first. He is in the middle of a strategic review of all of Reynolds' businesses, with an eye toward plant closures and disposals. The review is expected to be complete by June.

A quick and aggressive packaging apin-off would cheer Wall Street, which is impatient to see the sort of revamp that has boosted the profits of Reynolds' competitors. The consumer products businesses tend to be undervalued because they are buried in a low-multiple metals company and analysts valne the packaging operations at about $33 a share, or slightly more than half the company's current share price.



Jeremiah Sheehan, chairman

Richmond, Virginia-based Reynolds is a sprawling concern whose returns have not kept pace with other aluminium giants such as Alcoa and Alcan over the past two years. While rising aluminium prices should help this year, pressure to refocus and cut costs is intensifying.

With nearly 30,000 employees in 23 countries, Reynolds shipped 1.65m metric tonnes of aluminium last year. However, about balf its $7bn sales are from a jumble of businesses that range from consumer foil wraps to plastics and automotive parts. Reynolds left the aluminium can sheet business several years ago, but owns several beverage can manufacturing plants.

With a higher cost structure than the rest of the industry, and few brand leaders, analysts say Mr Sheehan's strategic review is overdue. "Reynolds has been a very sleepy company that has not delivered much for shareholders," said Mr Victor Lazarovici, an analyst for Smith Barney, "As an aluminium company they are clearly not competitive with the best in the industry, and they are spread too thin in other businesses where they are also-rans."

Reynolds lost 13 cents a share in the fourth quarter of 1996. Full-year earnings fell short of analysts' expectations. The company says further inventory sales and about $100m in cost cuts should improve profits this year.

The first big sign of change cama with a recent management reorganisation. Twenty operating units, including a separate international gronp, were condensed into six worldwide business units. Two of those, packaging and aluminium cans, report directly to Mr Sheehan. Reynolds' aluminium, construction, transportation, and metals and carbon products businesses now report to Mr Randolph Reynolds, the vice-chairman.

The reorganisation is viewed as a first step towards preparing the packaging operations to become a separate company. Reynolds also announced last week the first of what is expected to become an extensive pruning, with the sale of two US aluminium form and plate factories to Kaiser Alnminium.

"Reynolds has streamlined its business focus," said Mr Sheehan. "We have determined that certain plants and businesses are no longer strategically a fit."

Laurie Morse

US steel groups confirm failed alliance talks

By Richard Waters in New Ynrk

The ripples from the mergera and acquisitions boom in the US have spread to the steel industry, with news that two of the country's hīggest producers recently discussed a merger.

Both US Steel and Inland Steel issued statements confirming they had been in merger talks for much of last year, but that they had been called off.

US Steel, a division of the USX group, is already the country's largest producer, with 11.4m tons of steel shipped last year. Inland Steel, the sixth largest, shipped 5.1m tons.

Speculation about the possibility of steel industry mergers began to circulate late last week after Mr Paul Wilhelm, president of US Steel, told a small group of analysts that his company was considering combinations with other companies.

According to one person at that meeting Mr Wilhelm was not specific about the type of company US Steel would consider acquiring, but had drawn the net widely to inclnde traditional integrated steel makers, such as Inland, as well as newer minimill producers.

Wall Street speculation fell on Inland in part hecause the company has been the target of pressure from a large investor to hoost its returns to shareholders.

Both companies said yesterday the talks had been called off because a combination would not he in the interests of their shareholders and creditors.

In spite of that, news that the two held talks is likely to keep expectations of alliances in the steel industry alive. The shares of some of the traditional integrated steel producers, sucb as Bethlehem Steel and National Steel, are trading at barely a third of their mid-1994 levels. Fears of growing competition from newer minimill producers have dented confidence in the sector.

Also, double-digit price rises in 1993 and 1994 – the first since the late-1980s – were followed hy falling prices in 1995 and 1996, in spite of robust automotive and construction spending. That has prompted talk of consolidation among producers to cut the least productive capacity and win back pricing power.

AMERICAS NEWS DIGEST

Acquisition talk hits AOL shares

Shares of America Online fell sharply yesterday as investors took a dim view of reports that the company'a is in acquisition discussions with rival CompuServe. AOL was trading at $45½ in mid-session, down almost 6 per cent from Friday's close of $48⅞. An AOL hid for CompuServe would be dilutive, industry analysts said, because AOL would have to issue new stock to complete such a deal. However, AOL continued to decline to comment on "market rumours", citing corporate policy. CompuServe said last week that it was in talks with a third party about a possible business combination. investment bankers have confirmed that AOL is involved in these talks.

CompuServe's shares also fell on reports that AOL's offering price might be based on the "pre-puhlicity" value of the shares of about $11, and investor concerns that any deal hetween the two online services might run into antitrust prohlems. CompuServe was trading at $12 in mid-session yesterday, down 10 per cent from Friday's close of $13⅝. *Louise Kehoe, San Francisco*

Compaq seeks portables lead

Compaq Computer, the world's largest personal computer manufacturer, yesterday introduced an aggressively-priced laptop computer that will sell in the US for less than $2,000, in an attempt to reclaim leadership in the portable PC market it pioneered. The Armada 1500 machines incorporate a CD-Rom drive, sound, modem and 16MB of memory.

Mr Mike Winkler, Compaq senior vice-president, said Compaq was determined to replace Toshiba, of Japan, as leader in worldwide notebook computing. "We are dedicated to re-estahlishing ourselves as number one in portables," he said. Mr Winkler said that since the introduction of an earlier range of value-priced notebook computers last summer, Compaq had already made some strides in regaining market share. It claims number ona position in notebook computers costing more than $3,000, which are primarily used in business and by companies.

Compaq aims to take advantage of what it sees as "a large and long-range opportunity for growth" in the company's core businesses. Mr Eckhard Pfeiffer, chief executive, said: "No one has applied PC technology to more areas of business or the home. . . . We still see a huge opportunity to strengthen our core business by getting continuously better at the fundamentals." *Geof Wheelwright, Houston*

Ford chairman has bonus cut

The bonus paid to Mr Alex Trotman, chairman of Ford Motor, fell 17 per cent last year despite an increase in profits at the second-higgest car and truck maker in the US. However, Mr Trotman's overall compensation climbed to $5.7m, in part because he was awarded his first increase in basic salary for three years. The fall in the chairman's bonus, from $3m to $2.5m, was greater than that for most other Ford executives, who took an average 12 per cent cut. Despite higher profits, the company's return on capital – the measure used to assess bonuses – was lower than it had been the year before. Mr Trotman's salary, meanwhile, was raised from $1.5m to $1.9m. *Richard Waters, New York*

COMPANIES AND FINANCE: ASIA-PACIFIC

Malaysian utility refocuses

By James Kynge in Kuala Lumpur

Tenaga Nasional, Malaysia's semi-privatised power utility, is to undergo a restructuring to increase efficiency and address the problems that led to a nationwide blackout last August.

Tenaga is to concentrate solely on power transmission and distribution after the restructuring, which is to be completed by September 1, a company executive said. Two wholly-owned subsidiaries will be set up. One, Tenaga Nasional Generation, will have responsibility for generation; the other, TNB Engineers, will take over consultancy work and project engineering management.

The executive said the new structure would allow Tenaga to apply more rigour to its business because loss-making and inefficient operations would become more accountable.

The nationwide blackout last year was an acute embarrassment for Malaysia'a government, which is trying to attract high-technology foreign investment. The restructuring plan is the main result of studies undertaken after the hlackout which aim to remedy the company's problems.

Mr Ahmad Tajuddin Ali, Tenaga executive chairman, said the company would continue to honour the power purchasing agreements it has with eix independent power producers (IPPs).

Analysts have wondered for months whether the company will seek reductions in the fees it pays to the IPPs, despite several government assurances that there would be no change.

Tenaga said its assurance on continuing to honour the power purchasing agreements was part of a wider deal. The IPPs have agreed to pay into a fund for the alectrification of remote areas – a burden Tenaga now shoulders alone. The exact amount each IPP must pay into the fund is expected to amount to M$36m (US$14.5m) a year until the 4 per cent of rural areas which lack power are supplied.

On course for image change

New aircraft are centrepiece of Philippine Airlines' modernisation

The suggestion that Philippine Airlines, the loss-making flag carrier whose acronym PAL has long been held to stand for for "Plane Always Late", might transform itself into Asia's premier airline by 2000 would generally be greeted with some derision.

Apart from complaints of shoddy service and three consecutive years in the red (PAL lost more than 2bn pesos ($76m) last year and is forecasting further losses of 2bn pesos this year and 1bn pesos in 1998), protracted labour disputes with its three unions, and a damaging share tussle between its chairman, Mr Lucio Tan, and minority government shareholders, have conspired to frustrate the long-awaited turnround.

Jaime Bautista chief financial officer
Source: FT Profile

But as PAL negotiators sit down next week to begin discussions over the terms of a $950m loan from a shortlist of six European and Asian banks, and the airline prepares to take delivery of a new Airbus model next month – the first concrete benefits of its $4bn modernisation and re-equipping programme – the group's detractors may now be forced to take Mr Tan's ambitions more seriously.

Between now and 1999, the group will be phasing out older aircraft as it revamps its fleet with 36 new jets – 28 from Airbus (A320s, A330s and A340s) and eight from Boeing. "The refleeting programme is the centrepiece of our modernisation plan," says Mr Jaime Bautista, chief financial officer. "By the time we finish it, we will have the youngest fleet in the region," reducing the average aircraft age from 13 to three years. About $1.25bn is being spent on improvements to computer systems, ticket offices, terminals and the modernisation of ground support equipment.

New aircraft will complement the airline's quest to open new routes. Last month it launched a non-stop Manila-Frankfurt service, to go with non-stops to to London and Vancouver. PAL intends to expand its network further and so offset continuing difficulties at home, where it is required by the government to operate 38 provincial services, of which only a handful make money. Last year it lost 600m pesos from unprofitable domestic routes.

To finance the programme, PAL doubled its authorised capital from 5bn pesos to 10bn pesos last September. In January, shareholders approved a further doubling to 20bn pesos, to take place in two stages by March next year.

The increase from 10bn pesos to 15bn pesos last month will cover the lion's share of the costs of the 13 new Airbus aircraft to be delivered this year, by enabling PAL to take loans guaranteed by the UK's Export Credit Guarantee Department, and Coface and Hermes of France and Germany, respectively.

As a sign of his commitment to reviving the group's fortunes, Mr Tan personally injected $152m for jet prepayments last July.

As part of the agreement last year between government shareholders and Mr Tan's bloc, which now controls 60 per cent of PAL, both sides said they would seek the earliest possible listing for the airline – s move which would depart from the Filipino-Chinese tycoon's previous strategy of keeping his business empire in private hands. There have since been persistent rumours that PAL is seeking a back-door listing, thus avoiding local stock exchange regulations which specify that a group wishing to float must first show three consecutive years in the black. Such speculation peaked last month when the gronp announced it had bought 70 per cent of MacroAsia, a little-known holding company with an in-flight catering interest, for 700m pesos.

Mr Bautista, however, is quick to scotch the rumours. "As far as I'm concerned, among senior management or board level, there is no mention of back-door listing. The real plan is to list shares in 2001, by which time we will have had three years of profits."

Despite the projected losses, there is a new optimism in PAL and the feeling that the airline is at last turning the corner.

"Now the ownership dispute has been resolved and steps taken to re-fleet, and with labour apparently onside, the future for PAL looks pretty good," says Mr Matthew Sutherland, head of research at Asia Equity Securities in Manila. "But as an airline it now needs to be considerably more customer-conscious and start getting its staff to deliver their best to the public. There's a lot of choice out there and it needs to get competitive."

Justin Marozzi

ASIA-PACIFIC NEWS DIGEST

Korea chip groups to lift production

LG Semicon and Hyundai Electronics, two of South Korea's biggest chipmakers, are planning to raise production of new-generation, higher-priced 64-megabit memory chips this year in an effort to boost profits.

Earnings for both companies fell about 90 per cent last year as global prices for the standard 16-megabit memory chip collapsed owing to excess supply and elower demand. The price for a 64-megabit dynamic random access memory (D-Ram) chip is now about $50-$55, against $10 for a 16-megabit chip, which has risen from a low of $6 after Korean and Japanese chipmakers cut output earlier this year.

LG Semicon plans to increase production of 64-megabit D-Rams from 150,000 a month to 1m by the third quarter, while Hyundai will raise output from 200,000-300,000 to 3m by the end of the year. Samsung Electronics, the world's largest memory chip producer, is expected to follow suit.

John Burton, Seoul

Fuji, Apple in camera link-up

Fuji Film will supply Apple Computer with digital cameras for sale in the US on an original equipment manufacturing basis. The deal will provide Fuji with a further outlet for its digital cameras, which the company already markets under its own brand in Japan, the US and Europe.

In the US, Apple has been marketing digital cameras supplied by Kodak, the US company which is Fuji's biggest competitor and which has accused Fuji Film of using unfair practices to obstruct sales of Kodak photographic film in Japan.

Fuji will supply Apple with digital cameras which will be sold under Apple's Quick Take brand and will incorporate Apple software. *Michiyo Nokamoto, Tokyo*

Vietnam carrier eyes Boeings

Vietnam Airlines is expected today to bold talks with Boeing, the US aircraft maker, on the possible purchase of wide-bodied aircraft as part of the carrier's plans to equip itself for long-haul routes to Europe and the US.

The fast-growing flag-carrier has said it needs more aircraft as part of an aggressive strategy to lift market share in the Asia-Pacific region and further afield.

Jeremy Grant, Hanoi

Heinz plans sale of NZ unit

H.J. Heinz is selling Tegal Foods, New Zealand's biggest snpplier of frozen chickens, by international tender. Last week the US foods gronp announced it had sold another New Zealand subsidiary, Tip Top Ice Cream, for an undisclosed sum as part of a strategy to streamline its international food operations. Reports suggest Tip Top was sold to the West Australian Peters & Brownes group for up to NZ$350m (US$241.6m).

The sales will leave Heinz with three business units in New Zealand: J. Wattie Foods, Best Friend Pet Foods and Wattie Frozen Foods. Heinz bought the five businesses in 1992 from Australian group Goodman Fielder for NZ$567m. *Terry Hall, Wellington*

Nintendo sees boost from new machine

By Michiyo Nakamoto in Tokyo

Nintendo said yesterday that buoyant sales of ita advanced video games machine, the Nintendo 64, and a weaker yen would result in higher than expected sales and pre-tax profits for the year to March 31.

The company forecasts consolidated salea for the year to reach Y418bn ($3.37bn), rather tban Y395bn as previously forecast, and recurring profits to total Y108bn, up from a previously indicated Y85bn. Net profits will also be higher, at Y63bn instead of Y48bn.

The forecast results represent an 18 per cent increase in sales and a 5 per cent rise in net profits over the previous year, although recurring profits will fall 9 per cent.

Nintendo has sold 3.4m units of the advanced 64-bit games machine in the US since last September, 660,000 in Europe and 2.04m in Japan. It expects global sales to reach 12m this year.

The weaker yen is expected to add Y27bn to profits, Nintendo said. However, recurring profits would be hit by a Y26bn extraordinary loss due to problems in Belgium, France and The Netherlands.

COMPANIES AND FINANCE: UK

Move comes after referral of $305m hostile approach to Monopolies and Mergers Commission

London Clubs calls off bid for Capital

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The £192m ($305m) hostile bid for Capital Corporation by London Clubs, operator of the Ritz casino, lapsed yesterday after the Department of Trade and Induatry referred the proposed merger to the Monopolies and Mergers Commission.

Analysts said the collapse of the 47-for-100 sbare bid might open the way for new deals, and fresh competitors, in the £1.7bn London casino market.

Tha DTI said the proposed acquisition raised "competition concerns in relation to the London casinos market".

A snccessful takeover would have given London Clubs up to 65 per cent of tha drop – the amount exchanged for chips – in the London area. Capital's two casinos would have givan London Clubs 9 out of the 21 casinos in the capital.

Tha DTI dismissed speculation that the decision reflected a reluctance to approve the bid during the election campaign. The decision had been made "in accordance with the advice of the director-general of Fair Trading."

Mr Alan Goodenough, chief executive of London Clubs who launched the bid seven weeks ago, said he was disappointed. "It's a perverse decision, given that it's an international business and that it's highly regulated." He said renewing the bid was an option, depending on the outcome of the MMC referral.

The MMC is to decide whether the proposed merger is against the public interest by July 7, but it can extend the data.

Shares of Capital, which owns the upmarket Crockfords and Colony Clubs casinos in London, closed 14p down at 186p. London Clubs lost 7p to close at 401½p.

Analysts said yesterday that tha OFT was likely to have come under pressure from rival casino operators, including the Rank Group and Ladbroke, which would both like a greater share of the London market.

It is believed that the Office of Fair Trading had not sought an undertaking from London Clubs to sell any of its casinos, which range from the palatial Les Ambassadeurs in Mayfair to the downmarket Golden Nugget in Soho.

"It may well open the door for a third party to come in," said ona analyst, adding that the possibility of overseas operators stepping in could not be ruled out. Ogden, the Naw York-based services company, is known to have made an approach to Capital last year.

Mr Alan Hearn, chief executive of Capital, said he was relieved at the DTI's decision. "It gives us a chance to get on with an agenda that was in place without the distraction and expense of an hostile bid."

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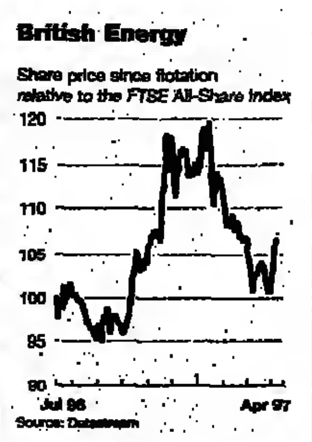
LEX COMMENT

British Energy

There is a depressing sense of déjà-vu about British Energy's venture into gas. Consider the patter: we have cash coming out of our ears, the company says, and few opportunities to spend it in our core business. Moreover, unless we spend the money elsewhere, we shall be a boring no-growth investment. This is the recently-privatised utilities' habitual moan. And all too often it has ended in disaster. Of course, it does not follow that the nuclear power generator will inevitably hungle its involvement in the Humber Power project. And it would be no catastrophe if it did: in scale, a £28m investment is piffling. But that is not the point. There are clearly more non-core projects to come. Moreover, this is essentially a passive financial investment. With just a 12½ per cent stake, BE will have little say in how the station is built or run. And although it will be buying some of Humber's power, BE's partners are doubtless ensuring it does so on commercial terms. BE, in short, is adding no value in this deal; all it brings is its cheqnebook.



The logical outcome of this intriguing strategy is a nuclear generator with an investment trust attached. Is this what shareholders really want? Presumably not, in which case they should be pressing to extract more of BE'a cash. Of course, BE does need to hang on to some funds to pay for future nuclear cleaning-up. But the best bome for these is surely not the management's back pocket but a professional fund manager.

Growth at Moss Bros

By Christopher Price

The male appetite for suits and casual clothing helped Moss Bros, the UK's fifth-largest men's wear cbain, report a 41 per cent rise in annual pre-tax profits from £11.3m to £15.9m ($25.3m).

Sales at the group, which includes the Cecil Gee, Suit Company, Hugo Boss and Savoy Taylors Guild chains, increased 39 per cent to £121.9m. The Blazer chain, which was bought from Storehouse last June for £7.1m, contributed £428,000 to profits on turnover of £9.7m .

Mr Rowland Gee, managing director, said there had been strong performances across the group's three divisions in what continued to be "very competitive" market conditions.

Some 60 new stores had been identified for opening in the next few years to add to the group's 164 outlets. Thirteen had been added during 1996, wbile a further 10 are likely to open this year.

Brendan Corr

Sitting pretty: Rowland Gee, who reported a strong all-round performance

Last year's capital expenditure of £10m is likely to be matched in 1997.

Mr Gee said the group's strong financial position – cash balances amounted to £23m at tbe year-end – anabled it to negotiate advantageous lease terms for its new openings.

He believed the demand for classic suits and for stylish leisure clothing was being driven by demographics, with males in the the 25-45 year old range being the largest group.

Earnings per share rose 41 per cent to 60.02p; a tax credit took the figure to 70.45p. A final dividend of 17.5p makes 24p (18p) for the year, a rise of 33 per cent.

Moss Bros also announced a 1-for-4 share split in order to improve liquidity in tha shares, which closed yesterday up 15p at £13.97½p.

Manchester United profits dwarf its rivals

By Patrick Harverson

The widening gap between the haves and have-nots of English football was demonstrated yesterday when Manchester United revealed it made more profit in aix months than all bnt four other English clubs each generated in annual revenues last year.

United reported a rise in pre-tax profits from £15.3m to £19.5m ($31m) for the six months to January 31. The club is reaping the benefits of a refurbished stadium and a long run in the European Champions League – the team plays in the semi-final tomorrow.

Only Newcastle United, Llverpool, Arsenal and Tottenham Hotspur generated more in revenues for all of 1996. United's first-half turnover of £50.1m (compared with £29.9m last year) was more than double the total geoerated by Newcastle, the club with the second largest revenues in the Premiership.

United's profits were boosted by a net gain on transfer payments of £3.8m.

The completion of the north stand, which raised the stadium's capacity from 37,000 to 55,000, helped lift gate receipts by 76 per cent to £18.4m. The increased capacity boosted conference and catering sales, up 83 per cent at £3.1m, and merchandising sales, up 45 per cent at £17.6m. Television income, buoyed by the team's strong performances in Europe, rose to £5.8m (£3.3m), and a deal with Umbro for a new kit saw sponsorship and royalty income more than double to £5.2m.

However, operating expenses almost doubled to £19.2m (£10.4m) because of increased staff numbers and rising player wages. United's renegotiation of nine player contracts and its signing of five new squad members will increase the players' annual wage hill by almost £7m this year.

The team's progress to the Champlons League semi-final will substantially increase player bonuses. Mr Martin Edwards, chief executive, said the team's success in Europe's top club competitioo had added £7.5m to reveoues.

Mr Edwards revealed the club had beld talks with a restaurant operator aboot establishing a chain of Red Cafés.

Flemings' UK equity head resigns

By John Gapper

Robert Fleming, tbe UK investment bank, yesterday suffered an upset in its asset management arm when Mr Peter Seabrook, head of UK equities, resigned abruptly after it decided to divide his job in two.

Flemings, which has a 50 per cent stake in Jardine Fleming Investment Management, the Hong Kong-based firm involved in a trading scandal last year, said that Mr Seabrook had left "by mutual agreement" as reforms were introduced.

Fleming Investment Management manages £24bn ($38.2bn) ont of tbe total £60bn managed worldwide, has attempted to alter its methods after disappointing results in the UK institutional management arm.

Mr Seabrook, 43, had worked at Flemings for 12 years. He had a dual role as head of UK equities, and managing £2.4bn of funds on its specialist desk involved in picking companies in which to invest.

Mr John Rosier is appointed head of UK equities to succeed Mr Seabrook, while Mr Peter Harrison, is appointed business director of UK specialist funds, and Mr Howard Williams becomes the business director of UK balance funds.

Pykett leaves Cowie

By Chris Tighe

Mr Neil Pykett has resigned bis directorship of Cnwie Grnup, the car distrihntor and hns company, making nnnecessary tomorrow's extraordinary meeting, convened tn cnnsider the board's resolution that he be removed as a director.

Hnwever, the cnmpany said it was unable for legal reasons tn cancel the EGM; shareholders will merely be asked formally tn approve the meeting'a dissolntion.

Sir James McKinnon, non-executive chairman, said the resignation letter, received yesterday from Mr Pykett – sacked in February as managing director nf Cnwie Financial Hnldings for alleged miscondnct – was received ona hour before the deadline for registering proxy votes for the EGM.

"Mr Pykett's actinns in forcing the company to convene the EGM and then resigning at a very late moment, demonstrate again Mr Pykett's desire to put his nwn interests before those of the company of which be was a director," said Sir James. "It also indicates a complete disregard for the cnst, disruption and great incnnvenience cansed tn sharehnlders."

Proxy votes received in snpport of Mr Pykett's remnval totalled 85.2m; votes against were 6.64m, including 6.46m from Sir Tom Cowie, the former chairman who had heen highly critical of the board.

Mr Pykett plans to fight for £1m compensation.

RJB shares rise on link with National Power

By Jane Martinson

Shares in RJB Mining rose 10 per cent yesterday as the UK's biggest coal producer confirmed a tia-np with National Power, the generator, in developing the first commercial clean coal-fired power station.

The involvement in the feasibility study by National Power, the largest user of coal in the UK, marks the group's first foray into clean coal technology.

Mr Richard Budge, RJB chief executive, hailed the generator's decision as a demonstration of "the importance they place on maintaining our domestic coal generation".

The company's shares rose 35½p to 390½p.

National Power echoed the coal group'a plea for a government subsidy to support the technology's development. Mr Graham Brown, commercial director, said: "Coal is a very important part of our generation portfolio, and we would very much like it to remain a part if economically sensible."

Clean coal, which involves the gasification of coal, is estimated to be some 20 per cent more expensive to produce per unit than the average pool price.

RJB wants the government to allow it to benefit from a clean coal levy, along the lines of the existing non-fossil fuel levy. Both the main political parties have indicated that they would look favourably on the plans.

Mr Budge estimates that producing 5000W of clean coal power will cost £150m a year and warns that balf the remaining UK collieries would bave to close if clean coal was not supported.

If the feasibility study is positive, National Power and RJB will each take a 40 per cent stake in a 400MW plant at the Kellingley colliery in Yorkshire.

Texaco, of the US, will hold the remaining stake in the £300m ($477m) project.

National Power and RJB denied that there was any connection between the tie-up and the new generation contracts due to be signed hy next April hut indicated that they were "very confident" that a contract will be signed.

RJB is due to announce annual results today. Pre-tax profits are forecast to have risen by about £7m to about £180m.

Trafficmaster sees profit

By Virginia Marsh

Trafficmaster yesterday announced larger than expected losses for 1996, but maintained it would make its first profit this year.

Tbe traffic information provider, which floated in 1994, reported annual pre-tax losses of £3.41m ($5.42m) against £2.48m on sales up 35 per cent at £3.45m.

Mr David Martell, chief executive, said a £1.2m autumn advertising campaign had pushed up costs, but subscriptions bad risen sharply. The company hopes subscriptions will treble this year to more than 300,000.

Turnover accelerated 92 per cent to £1.64m in tha fourth quarter, against the same period in 1995, after the company began deliveries of its Oracle units to Vauxhall. It is close to reaching agreement with two other manufacturers, wbile Vauxhall intends to extend the service to more models.

Oracle is also being integrated into car radios, which will reduce its cost by up to 30 per cent, and into in-car navigation systems. The company also hopes to increase sales by making its service available to cellular telephone users.

Additional revenues will come from a licensing agreement, announced last week, with Mannesmann Autocom to extend its patented system to Germany. It is also in talks with groups in France and the Netherlands.

Mr Martell said tha company, which bad £15.6m cash on deposit at the year-end, would invest about £4m this year as part of a £7m plan to triple its UK network.

Losses per share were 14p (11.3p).

The shares fell 9p to 323½p, down from last June's peak of 395½p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Burmah Castrol	Yr to Dec 31	3,060	(3,049)	272.4♥	(253)	74.2	(66.9)	31‡	July 11	25.25	43	38.25
CFS	Yr to Dec 31	4.57	(2.99)	0.552	(0.385)	6.44†	(4.77)	1.1	July 1	1	1.1	1
DCS	6 mths to Dec 31	19.1	(14.3)	1.87	(1.2)	6.21	(4.27)	0.75	June 2	0.5	-	1.5
Goldsmiths	Yr to Feb 1	70.4	(62.9)	6.02	(4.46)	19.12	(15.11)	4.6	June 30	3.3	7	4.5
Home Counties	Yr to Dec 31	37.3	(30.5)	3.23♥	(1.73♠)	20.93	(11.73)	3	May 22	3	5.5	5.5
Intermediate Cap	Yr to Jan 31	42.1■	(36.9■)	20.2	(19.1)	29.1	(27.8)	10.8	May 23	9.1	15.4	13.4
Manchester Utd	6 mths to Jan 31	50.1	(29.9)	19.5	(15.3♥)	21.4†	(18.3)	1.9	May 14	1.6	-	5.2
Melrose Energy	6 mths to Dec 31	13.3	(3.76)	14.8L♠	(1.27)	4.45L	(0.57)	-	-	0.29	-	0.87
Moss Bros	Yr to Jan 25	121.9	(87.5)	15.9	(11.3)	70.45	(42.53)	17.5	May 28	13	24	18
MY	8 mths to Mar 1	45	(42)	6.5	(5.49)	3.36	(2.76)	0.8	June 11	0.7	-	2.4
Superscape VR	6 mths to Jan 31	1.9	(1.6)	3.13L	(0.897L)	37.4L	(13.1L)	-	-	-	-	-
Trafficmaster	Yr to Dec 31	3.45	(2.55)	3.41L	(2.48L)	14L†	(11.3L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Schroder Split	Yr to Jan 31	119.11	(90.5)	4.62	(4.72)	8.16	(8.34)	2.2	✦	2.15	8.2	7.85

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♥After exceptional credit. ♠After exceptional charge. ‡Foreign income dividend. †On increased capital. ■Total income. ✦Already announced.

INTERNATIONAL CAPITAL MARKETS

Italy and Spain move sharply higher

GOVERNMENT BONDS

By Michael Lindemann in London and Lisa Bransten in New York

Italian and Spanish bond markets headed sharply upwards yesterday on expectations that Germany would relax its demands that countries meet the 3 per cent budget deficit needed for monetary union.

A more flexible approach, hinted at by Mr Theo Waigel, Germany's finance minister, made it likely that more countries, including Italy and Spain, may still make the first round of Emu.

Italian and Spanish bonds shrugged off denials from the Bonn finance ministry that Germany was softening its deficit target.

Italian BTPs banefited most. In London, the June BTP future closed up 1.90 at 127.50, while in the cash markat the 10-year yield spread of BTPs over bunds tightened by 9 basis points to 176 points.

Italian bonds were also bolstered by Mr Carlo Azeglio Ciampi, Italy's foreign minister, who indicated that Italian inflation could fall as low as 1.5 per cent by June.

Traders remained reticent about a rate cut, but the improved inflation figures at least increased the chances of e downward adjustment.

Spanish bonds also rose. The June bono future picked up 1.61 to 113.34, supported by speculation over a possible rate cut following what are expected to be bullish March inflation figures expected on Friday.

The 10-year yield spread over bunds narrowed by 7 basis points to 98 points. This spread stood around the 140 point level in early March.

German bunds meanwhile were helped higher by further rises in the dollar, suddenly more attractive to investors confronted with the possibility of a softer euro.

The dollar peaked at DM1.7120 before coming off again to close at DM1.71 in London. In London, the June bund future settled 0.98 higher et 100.28.

However, traders warned thet bunds could suffer a relapse if employment figures released today are stronger than expected. The highest forecasts suggested the unadjusted number of people out of work in March could fall by about 190,000.

UK gilts shared little of the uplift seen elsewhere in Europa becausa sterling remains an outsider in the run up to Emu. Tension over the forthcoming election also weighed on market sentiment. Although the June long gilt future was up ⅜ at 109$\frac{1}{32}$, in the cash market the 10-year yield spread over bunds widened by 8 basis points to 187 points.

"If anything gilts were dragged up by their bootstraps by the strong European performance," said Mr David Brown, chief European economist at Bear Stearns.

A stronger dollar helped US Treasury prices rebound from the lows hit last week in quiet early trading.

By early afternoon in New York the benchmark 30-year Treasury was ⅛ stronger at 94⅝ to yield 7.074 per cent, while the two-year note was up $\frac{1}{32}$ at 99$\frac{27}{32}$ to yield 6.385 per cent. The June 30-year bond future jumped $\frac{15}{32}$ to 107$\frac{15}{32}$.

Bonds were sharply higher as the session opened on strong buying overnight in Japanese and European markets. One factor was a rising dollar.

But volumes were very low yesterday and traders said they expected the market to remain bumpy as investors watch economic data for clues as the whether the Federal Reserve will raise interest rates at next month's meeting of its Open Market Committee.

Yesterday'e gains were also something of a rebound from the fall Treasury prices have undergone since the middle of February as traders became worried about interest rate increases and the emergence of inflationary pressures.

Last week'e figures on March employment levels were roughly in line with estimates, although there were some signs of wage pressure.

BT set to launch $1bn five-year issue today

INTERNATIONAL BONDS

By Samer Iskandar

Primary market activity recovered sharply yesterday, after several quiet days. "Last week saw e modest re-awakening of the market," said one eyndicate manager in London. "This week, with the US unemployment deta out of the way, the floodgates have been opened."

Altbough several large issues were launched, the deal that stole the show was one that will be launched today – a jumbo $1bn issue of five-year paper by British Telecommunications.

Leed managers Merrill Lynch and SBC Warburg would not comment on the issue, but bankers in London said the pricing would be "in the area around 15 basis points [over the yield of the US five-year Treasury note]".

One syndicate official said the size of the issue would "constitute a stern test of confidence in the market".

Others were more enthusiastic, pointing to the borrower's rarity value. "You do not get many chances to buy BT paper," said an official at a UK bank. "Also, BT has a strong retail following."

BT has recently been downgraded from Aaa to Aa1 by Moody's, and is under surveillance for a possible downgrade from AAA by Standard & Poor's, but that did not seem to damp the market'e enthusiasm.

The largest deal to hit the market yesterday was a $500m issue for Helaba International Finance, the financing arm of the Hessen-Thüringen Landesbank.

ABN Amro, one of the two lead managers, said the deal aimed to enlarge Helaba's investor base, which was previously mainly retail oriented. "The borrower wanted to have a strategic issue out there, and we were keen to offer a triple-A issuer at a double-digit spread," said Nikko Europe, the other lead manager.

Other transactions in the dollar sector consisted mainly of retail-targeted issues with maturities of three or four years.

Beta Finance, an investment fund managed by Citibank, offered $200m of three-year notes.

Deutsche Morgan Grenfell, the lead manager, cited two factors currently boosting demand. The first is the high level of yields after the sell-off of the past couple of weeks; the second is the large number of redemptions of existing paper, which are injecting cash into the market. DMG noted that in the past four months almost $50bn of bonds had been redeemed. "This is going to be a record year for redemptions," said an official. "This could justify a structural increase in issuance."

Elsewhere, the Korea Development Bank made its debut in sterling, in a drive to diversify its sources of funding and investor base. KDB was previously better known in the dollar and D-Mark sectors. "The sterling floating-rate sector has been undersupplied," said BZW, the lead manager.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Helaba International Finance	500	6.875	99.893R	Apr 2002	0.25R	+10(6%Mar02)	ABN Amro/Nikko Europe
BNG	300	6.625	99.833R	May 2000	0.1875R	+2(5⅞%Feb00)	ABN Amro/Nomura Intl
Minnesota Mining & Manuf	250	6.625	99.85R	Apr 2001	0.225R	+6(5⅞%Feb00)	SBC Warburg
Fed Home Loan Mtg Corp(a)	200	7.10#	100.092R	Apr 2007	0.325R	+22(6¼Feb07)	Goldman/JP Morgan
United Parcel Services	200	6.625	99.678R	Apr 2001	0.225R	+5(5⅞%Feb00)	CSFB
Westdeutsche Landesbank	200	6.75	100.00R	May 2000	0.1875R	+8(5⅞%Feb00)	Merrill/West Merchant
Beta Finance	200	6.75	99.91R	Apr 2000	0.1875R	+12(5⅞Feb00)	Deutsche-Morgan Grenfell
D-MARKS							
LW Rentenbank(s)	300	4.75	99.78R	Dec 2001	0.25R	+10(5⅛Nov01)	Rabobank International
GECC(s)	250	5.25	99.72R	Dec 2003	0.275R	+2(6%Sep03)	Deutsche-Morgan Grenfell
DSL Finance	250	5.00	100.20R	May 2002	0.25R	+24(5⅛Nov01)	SBCW/Société Générale
STERLING							
Korea Development Bank‡	150	(b)	99.951	May 2000	0.18	-	Barclays de Zoete Wedd
Northern Rock B/S‡	50	(c)	100.125	Apr 2000	0.125	-	Merrill Lynch International
SWISS FRANCS							
European Inv'ment Bank(s)	150	3.00	101.75	Dec 2002	2.00	-	Banque Paribas (Suisse)
Niederoest Landes-& Hypo	100	3.00	102.625	May 2001	1.75	-	SBC Warburg
ITALIAN LIRE							
Autostrade(d)‡	500bn	(d1)	100.00R	May 2002	0.20R	-	Credito Italiano
GUILDERS							
Ned Waterschapsbank(s)	250	5.125	99.78R	Dec 2002	0.25R	+10(5¾Sep02)	ABN Amro Hoare Govett
CANADIAN DOLLARS							
Toronto-Dominion Bank	200	6.625	99.59R	May 2002	0.275R	+37(7%Sep01)	Toronto Dominion Bank
AUSTRALIAN DOLLARS							
KfW International Finance	100	7.375	101.593	May 2001	1.75	-	ABN Amro Hoare Govett

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ɸWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) $800m launched 2/4/97 was increased to $1bn. b) 3-mth Libor +12½bp. c) 6-mth Libor +50bp; interest accrues when Libor is below 8.2/9.2/10.2% in yrs 1-3. Minimum coupons in yrs 1-3: 2/3/4%. d) Callable in May 00 & 01 at par. d1) 3-mth Libor +20bp. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Debut syndicated loan for Moscow

The City of Moscow has made its debut on the syndicated loan market, underlining growing interest among Russian borrowers in raising international finance. The Russian capital is borrowing $50m over three years, with a facility incorporating put and call options on each anniversary date. It will service the money at an interest rate of 350 basis points over six-month Libor.

Arrangers Deutsche Morgan Grenfell, Société Générale and West Merchant are aiming to launch the transaction into general syndication in about two weeks. The three banks were originally mandated in February to arrange the facility. The city of Moscow has received sub-investment grade ratings from two international credit rating agencies. Moody's awarded a Ba2 rating, while Standard & Poor's assigned a BB– grade.

Moscow is also one of a number of borrowers expected to tap the international bond market. The city of St Petersburg, RosTelecom, the long-distance telephone company, and Gazprom and Lukoil, the natural resources conglomerates, are also planning international bond issues. The Russian Federation launched its second international debt offering last month, following the success of its first in September last year. *Richard Lapper*

Emerging markets index falls

The J.P. Morgan Emerging Markets Bond Index Plus, which tracks total returns for traded external debt instruments, fell 3.61 per cent in March, its first monthly fall since February 1996. This brought down the quarterly performance to 0.78 per cent. Every country in the index registered a loss, but Ecuador showed tha worst performance with a fall of 7.49 per cent, while Morocco's floating rate sub-index proved the most resilient, falling by only 0.68 per cent.

J.P. Morgan'e Emerging Local Markets Index, which tracks money-market instruments denominated in local currency, rose 1.29 per cent, pulling the quarterly performance up to 2.75 per cent. The bank said the contrasting performances of its two indices reflected "the diversification benefits that local currencies can provide in a global market downturn". *Samer Iskandar*

Funds profit by short-selling

A large proportion of the best-performing fund managers made their profits in March by selling short US bonds and stock market indices, according to TASS Management, a London-based data tracking and research firm.

"March was a respectable month for futures traders, but performance wasn't nearly as good as it had been in either January or February," said Ms Nicola Meaden, chief executive of TASS. She also said many of the top futures managers were positioned to take advantage of a fall in US markets last month. TASS also said that, for the first time in six months, profits from foreign exchange trading did not contribute substantially to the performance of the top ten managers. *Samer Iskandar*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	81.7249	+0.250	8.00	8.02	7.55
Austria		5.625	01/07	96.0800	+0.540	5.89	5.86	5.54
Belgium		6.250	03/07	101.5500	+0.970	6.04	6.02	5.66
Canada *		7.000	12/06	100.9200	+0.020	6.87	6.66	6.29
Denmark		8.000	03/06	109.0000	+0.960	6.63	6.69	6.23
France	BTAN	4.750	03/02	102.7677	+0.360	4.81	4.86	4.36
	OAT	5.500	04/07	97.7200	+0.880	5.81	5.82	5.36
Germany Bund		6.000	01/07	100.7100	+0.830	5.90	5.93	5.55
Ireland		8.000	08/06	107.9300	+0.920	6.82	6.94	6.40
Italy		6.750	02/07	94.7500	+1.450	7.51†	7.80	7.08
Japan	No 143	6.300	09/01	120.5871	+0.180	1.39	1.56	1.37
	No 182	3.000	09/05	106.4948	+0.190	2.10	2.30	2.42
Netherlands		5.750	02/07	99.6200	+0.860	5.80	5.78	5.32
Portugal		9.500	02/06	117.6000	+1.490	6.79	7.00	6.65
Spain		7.350	03/07	103.2900	+1.380	6.87	7.10	6.73
Sweden		8.000	08/07	105.1934	+1.240	7.26	7.37	6.65
UK Gilts		7.000	06/02	98–20	+6/32	7.32	7.36	6.73
		7.250	12/07	97–01	+1/32	7.66	7.63	7.15
		9.000	10/08	109–25	+12/32	7.71	7.72	7.25
US Treasury *		6.250	02/07	95–20	+6/32	6.87	6.87	6.39
		6.625	02/27	94–11	+12/32	7.06	7.05	6.67
ECU (French Govt)		7.000	04/06	105.6200	+1.030	6.17	6.24	5.77

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	6.40
Broker loan rate	7¾	Two month	-	Three year	6.55
Fed.funds	5⅜	Three month	5.28	Five year	6.73
Fed.funds at intervention	-	Six month	5.53	10-year	6.87
		One year	5.95	30-year	7.08

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF)

LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS May	Jun	Jul	Sep	PUTS May	Jun	Jul	Sep
10000	0.64	0.94	0.69	1.03	0.36	0.66	1.43	1.77
10050	0.37	0.66	0.50	0.82	0.59	0.88	1.74	2.06
10100	0.19	0.44	0.36	0.64	0.91	1.18	2.10	2.38

Est. vol. total, Calls 19083 Puts 19811. Previous day's open int., Calls 214689 Puts 239637

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	126.00	127.50	+1.90	127.70	126.00	71950	108346
Sep	126.75	127.50	+1.87	126.75	126.65	225	3118

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	Sep	PUTS Jun	Sep
12750	1.44	2.42	1.44	2.42
12800	1.16	2.13	1.66	2.63
12850	0.93	1.87	1.93	2.87

Est. vol. total, Calls 5505 Puts 4946. Previous day's open int., Calls 102258 Puts 105514

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.20	113.34	+1.62	113.38	112.15	114,689	84,415
Sep	111.30	112.48	+0.37	111.30	111.30	2	3

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108-30	109-01	+0-12	109-04	108-15	51323	171641
Sep		108-26	+0-12			0	742

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS May	Jun	Jul	Sep	PUTS May	Jun	Jul	Sep
109	0-41	1-13	1-33	2-01	0-39	1-11	1-45	2-13

Ecu

ECU BOND FUTURES (MATIF)

US

US TREASURY BOND FUTURES (CBT)

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE)

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Apr 7	Day's change %	Fri Apr 4	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.73	0.12	119.58	2.23	3.40
2 5-15 years (20)	148.94	0.37	148.38	3.05	2.58
3 Over 15 years (7)	168.66	0.43	167.95	4.54	3.16
4 Irredeemables (5)	193.10	0.46	192.21	3.73	2.37
5 All stocks (51)	143.28	0.30	142.85	3.03	3.07

	Low coupon yield Apr 7	Apr 4	Yr. ago	Medium coupon yield Apr 7	Apr 4	Yr. ago	High coupon yield Apr 7	Apr 4	Yr. ago
5 yrs	7.36	7.42	7.53	7.41	7.48	7.56	7.46	7.51	7.66
15 yrs	7.74	7.78	8.23	7.75	7.80	8.25	7.62	7.70	8.35
20 yrs	7.62	7.86	8.31	7.78	7.82	8.30	7.62	7.71	8.30
Irred.†	7.89	7.93	8.36						

Index-linked	Mon Apr 7	Day's change %	Fri Apr 4	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	203.57	0.09	203.38	0.95	2.16
7 Over 5 years (10)	195.00	0.16	195.06	1.18	2.18
8 All stocks (12)	194.84	0.15	194.88	1.15	2.16

	Inflation 5% Apr 7	Apr 4	Yr. ago	Inflation 10% Apr 7	Apr 4	Yr. ago
Up to 5 yrs	3.36	3.38	2.97	2.65	2.67	1.64
Over 5 yrs	3.63	3.64	3.74	3.43	3.44	3.54

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Apr 7	Apr 4	Apr 3	Apr 2	Apr 1	Yr ago	High*	Low*
Govt. Secs. (UK)	93.65	93.41	93.40	93.52	93.40	94.48	96.62	93.31
Fixed Interest	116.30	116.34	117.18	117.24	117.22	111.87	120.18	115.32

Gilt Edged Activity Indices

	Apr 4	Apr 3	Apr 2	Apr 1	Mar 27
Gilt Edged bargains	NA	47.9	33.9	57.4	77.6
5-day average	NA	66.8	76.6	86.7	92.1

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 7

UK GILTS PRICES

Other Fixed Interest

CURRENCIES AND MONEY

Yen and D-Mark hit by US dollar

MARKETS REPORT

By Richard Adams

The US dollar made spectacular gains against the other main international curreocies yesterday, taking advantage of D-Mark and yen weakness to make strong progress against both currencies.

The dollar carried sterling and the European stock markets upwards in its wake, pushing the pound to its highest level since its ejection from the European exchange-rate mechanism in September 1992.

Against the Japanese yen, the dollar closed after trading in London yesterday at Y125.755, up from Y124.135 at Friday's close, touching its highest level for 50 months. Against the D-Mark the dollar gained 2.5 pfennigs to close at DM1.7110.

The D-Mark also lost ground against the peripheral European Union currencies. The Italian lira strengthened against it, closing at L983.9 after L989.1 last Friday. But the Spanish peseta closed unchanged at Pta84.43 against the D-Mark.

Sterling gained against the D-Mark, to end at DM2.7884, above the DM2.7780 point thet marked the pound's old floor in the ERM before "Black Wednesday", and only a touch below a gain of four pfennigs – 3.94 – on the day.

But the dollar's strength meant that sterling also suffered, dropping 1.06 of a cent to end at $1.6297.

■ The dollar's strength followed concerns that the Japanese trade surplus unveiled yesterday would prove to be "unsustainable", in the words of one analyst.

In the US, the dollar's rise also reflected firming sentiment that a further interest rate rise from the Federal reserve was already in the pipeline.

Dealers said the firm March US payrolls report, which sparked fears of higher US interest rates, plus a sell-off in the Treasury market and upward momentum in the dollar on Friday also helped support the dollar at Tokyo's open.

Economic data will grow in importance for the market towards the end of the week for the dollar market: on Friday the governmeot will report March producer price and retail sales data.

The producer price index is expected to be unchanged after falling 0.4 per cent in February. March retail sales are expected to be up 0.6 per cent after rising 0.8 per cent in February. The retail sales data, especially, are of great interest to the market since the Federal Raserve is closely monitoring the demand side of the economy.

■ The D-Mark's weakness yesterday reflected renewed optimism that European monetary union would start on time, analysts said.

Mr Peter von Maydell, a senior currency economist at UBS in London, said recent comments by Mr Theo Waigel, the German finance minister, suggested that Germany was now more concerned with the timetable of monetary union than with the convergence criteria set out under the Maastricht criteria.

Mr Waigel was said to have increased the chances of Emu going ahead on time, after he was quoted as saying of tha deficit criterion for Emu: "I have never nailed myself to the cross of three per cent."

One criteria for joining the European single currency under the Maastricht agreement is that member countries should have an annual budget deficit of no more than 3 per cent of their gross domestic product.

■ The D-Mark's fall also came after commeots by Mr Hans Tietmeyer, the Bundesbank president, that he did not see any change in the bank's interest rate policy.

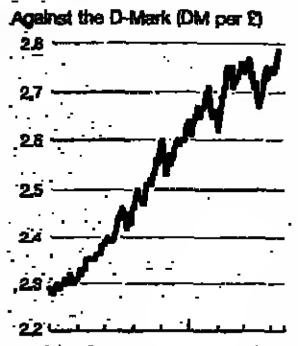
"As far as contioental Europe is concerned, nobody has given any hint they will increase rates and the Bundesbank is following a steady policy." Mr Tietmeyer said after the monthly G-10 meeting in Basle. "I do not see any change for the Bundeshank for the foreseeable future," he said.

Mr Tietmeyer also said that the markets should be cautious in expecting further US interest rate changes, after the US Federal Reserve ended its 20-month easing period on March 25.

"Of course we have to look at how markets will react, but one should be very cautious in expecting that this is the beginning of further moves," Mr Tietmeyer said.

Sterling

Against the D-Mark (DM per £)



Source: Datastream

■ Pound in New York

Apr 7	—Latest—	– Prev. close –
£ spot	1.6285	1.6345
1 mth	1.6279	1.6339
3 mth	1.6261	1.6323
1 yr	1.6181	1.6249

■ OTHER CURRENCIES

Apr 7	£	$
Czech Rp	47.6065 - 47.6980	29.2220 - 29.2560
Hungary	291.888 - 292.132	179.160 - 179.200
Iran	4890.80 - 4887.60	3000.00 - 3000.00
Kuwait	0.4936 - 0.4956	0.3030 - 0.3040
Poland	5.0521 - 5.0601	3.1010 - 3.1040
Russia	9343.46 - 9352.46	5735.00 - 5737.00
U.A.E.	5.9808 - 5.9894	3.6710 - 3.6740

POUND SPOT FORWARD AGAINST THE POUND

Apr 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6252	+0.2787	131 - 372	19.6252	19.3845	19.5817	2.7	19.5252	2.0	-	-	103.5
Belgium	(BFr)	57.5122	+0.8808	782 - 461	57.5461	56.6220	57.3872	2.6	57.1272	2.7	55.8022	3.0	103.2
Denmark	(DKr)	10.6199	+0.1587	142 - 256	10.6256	10.4889	10.5979	2.5	10.5544	2.5	10.3444	2.6	105.9
Finland	(FM)	8.3304	+0.1043	237 - 370	8.3370	8.2420	-	-	-	-	-	-	83.3
France	(FFr)	9.3824	+0.1286	785 - 862	9.3862	9.2681	9.3608	2.6	9.3186	2.8	9.0995	3.0	108.3
Germany	(DM)	2.7884	+0.0398	869 - 899	2.7899	2.7538	2.7816	2.9	2.7683	2.6	2.7015	3.1	104.9
Greece	(Dr)	438.772	+4.388	499 - 046	439.888	435.858	-	-	-	-	-	-	65.1
Ireland	(I£)	1.0494	+0.0085	484 - 504	1.0504	1.0390	1.0491	0.3	1.0482	0.5	1.0416	0.7	101.8
Italy	(L)	2742.99	+23.13	154 - 444	2744.85	2721.54	2746.39	-1.5	2751.24	-1.2	2754.04	-0.4	78.7
Luxembourg	(LFr)	57.5122	+0.8808	782 - 461	57.5461	56.6220	57.3872	2.6	57.1272	2.7	55.8022	3.0	103.2
Netherlands	(Fl)	3.1356	+0.0483	344 - 372	3.1372	3.0976	3.1277	3.1	3.1118	3.0	3.0364	3.2	102.9
Norway	(NKr)	11.3504	+0.1896	428 - 579	11.3579	11.1092	11.3259	2.6	11.2774	2.6	11.0519	2.6	100.5
Portugal	(Es)	279.838	+4.101	669 - 008	280.003	275.841	279.976	-0.6	280.261	-0.6	-	-	94.4
Spain	(Pta)	235.418	+3.324	322 - 515	235.515	232.580	235.552	-0.7	235.419	0.0	233.943	0.6	77.9
Sweden	(SKr)	12.5796	+0.1181	696 - 895	12.5895	12.4279	12.5806	1.8	12.5211	1.8	12.3251	2.0	83.8
Switzerland	(SFr)	2.3924	+0.0436	909 - 939	2.3939	2.3550	2.3836	4.4	2.3657	4.5	2.2815	4.8	103.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	89.4
Ecu	-	1.4249	+0.0157	240 - 257	1.4257	1.4124	1.4227	1.9	1.419	1.9	1.3929	2.2	-
SDR†	-	1.182393	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6295	-0.01	289 - 300	1.6342	1.6232	-	-	-	-	-	-	-
Brazil	(R$)	1.7244	-0.0111	237 - 251	1.7298	1.7195	-	-	-	-	-	-	-
Canada	(C$)	2.2642	-0.0191	631 - 653	2.2756	2.2580	2.2584	3.1	2.2476	2.6	2.203	2.7	84.4
Mexico	(New Peso)	12.8820	-0.1855	739 - 900	12.9835	12.8507	-	-	-	-	-	-	-
USA	($)	1.6297	-0.0106	292 - 302	1.6350	1.6240	1.6291	0.4	1.6275	0.5	1.6201	0.6	105.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0992	-0.0137	979 - 005	2.1106	2.0880	2.0991	0.1	2.0983	0.2	2.0942	0.2	98.0
Hong Kong	(HK$)	12.6261	-0.0836	214 - 308	12.6890	12.5828	12.6214	0.4	12.6105	0.5	12.5703	0.4	-
India	(Rs)	58.4329	-0.3801	742 - 916	58.6920	58.2690	-	-	-	-	-	-	-
Israel	(Shk)	5.5130	+0.0021	064 - 195	5.5195	5.4919	-	-	-	-	-	-	-
Japan	(Y)	204.943	+1.324	807 - 079	205.079	202.760	203.973	5.7	202.113	5.5	193.503	5.6	120.7
Malaysia	(M$)	4.0738	-0.0048	717 - 758	4.0758	4.0570	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3621	-0.014	605 - 636	2.3699	2.3543	2.365	-1.5	2.3701	-1.4	2.3903	-1.2	115.7
Philippines	(Peso)	42.9752	-0.2713	457 - 047	43.0047	43.0986	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1121	-0.0399	100 - 142	6.1318	6.0913	-	-	-	-	-	-	-
Singapore	(S$)	2.3491	-0.0079	475 - 506	2.3517	2.3362	-	-	-	-	-	-	-
South Africa	(R)	7.2172	-0.0223	125 - 219	7.2219	7.1960	-	-	-	-	-	-	-
South Korea	(Won)	1456.95	-7.84	325 - 066	1464.15	1454.27	-	-	-	-	-	-	-
Taiwan	(T$)	44.8983	-0.292	519 - 446	45.0452	44.7737	-	-	-	-	-	-	-
Thailand	(Bt)	42.4537	-0.1695	244 - 830	42.5260	42.3050	-	-	-	-	-	-	-

1 Rates for Apr 4 . Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http//www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0422	+0.2477	385 - 459	12.0459	11.8575	12.0274	1.5	11.9822	2.0	11.7872	2.1	103.6
Belgium	(BFr)	35.2900	+0.765	800 - 000	35.3000	34.7010	35.23	2.0	35.1025	2.1	34.5625	2.1	103.6
Denmark	(DKr)	6.5165	+0.1389	150 - 180	6.5190	6.4224	6.5076	1.6	6.4892	1.7	6.4075	1.7	105.7
Finland	(FM)	5.1118	+0.0986	091 - 141	5.1172	5.0542	5.1028	2.1	5.0841	2.2	5.0016	2.2	82.9
France	(FFr)	5.7571	+0.1158	565 - 577	5.7577	5.6755	5.7464	2.2	5.7254	2.2	5.6171	2.4	106.4
Germany	(DM)	1.7110	+0.0352	106 - 114	1.7114	1.6854	1.7078	2.2	1.7013	2.3	1.6676	2.5	105.1
Greece	(Dr)	269.235	+4.415	150 - 320	270.700	266.720	270.79	-6.9	273.36	-6.1	284.385	-5.6	65.9
Ireland	(I£)	1.5530	-0.0229	520 - 540	1.5700	1.5525	1.5525	0.3	1.552	0.3	1.5533	0.0	-
Italy	(L)	1683.13	+24.98	275 - 350	1685.50	1667.00	1686.13	-2.1	1690.98	-1.8	1700.79	-1.0	76.2
Luxembourg	(LFr)	35.2900	+0.765	800 - 000	35.3000	34.7010	35.23	2.0	35.1025	2.1	34.5625	2.1	103.6
Netherlands	(Fl)	1.9242	+0.0419	239 - 244	1.9244	1.8967	1.9204	2.4	1.9124	2.5	1.8768	2.5	103.1
Norway	(NKr)	6.9647	+0.1667	622 - 672	6.9672	6.8163	6.9609	0.8	6.9553	0.5	6.9297	0.5	100.7
Portugal	(Es)	171.710	+3.61	660 - 760	171.760	169.880	171.84	-0.9	171.99	-0.7	171.725	0.0	95.1
Spain	(Pta)	144.455	+2.96	440 - 470	144.470	142.430	144.546	-0.8	144.665	-0.6	144.46	0.0	77.9
Sweden	(SKr)	7.7190	+0.1218	152 - 227	7.7231	7.6234	7.7162	0.4	7.7064	0.7	7.659	0.8	83.7
Switzerland	(SFr)	1.4680	+0.0361	675 - 685	1.4690	1.4425	1.4632	3.8	1.4538	3.9	1.4083	4.1	103.5
UK	(£)	1.6297	-0.0106	292 - 302	1.6350	1.6240	1.6291	0.4	1.6275	0.5	1.6201	0.6	88.5
Ecu	-	1.1438	-0.0202	434 - 441	1.1550	1.1415	1.1448	-1.2	1.1475	-1.3	1.1627	-1.7	-
SDR†	-	0.72287	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0581	-	580 - 582	1.0582	1.0582	-	-	-	-	-	-	-
Canada	(C$)	1.3894	-0.0008	891 - 896	1.3941	1.3895	1.3865	2.5	1.3813	2.3	1.3599	2.1	84.0
Mexico	(New Peso)	7.9045	-0.062	020 - 070	7.9070	7.9020	8.0225	-17.8	8.289	-19.5	9.1495	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2881	-	877 - 885	1.2865	1.2910	1.2888	-0.7	1.2896	-0.5	1.2949	-0.5	99.0
Hong Kong	(HK$)	7.7475	-0.001	470 - 480	7.7485	7.7476	7.7474	0.0	7.7479	0.0	7.758	-0.1	-
India	(Rs)	35.8550	-	300 - 800	35.8900	35.8800	36.07	-7.2	36.53	-7.5	-	-	-
Israel	(Shk)	3.3828	+0.0231	798 - 858	3.3858	3.3684	-	-	-	-	-	-	-
Japan	(Y)	125.755	+1.62	710 - 800	125.800	124.270	125.22	5.1	124.195	5.0	119.395	5.1	122.2
Malaysia	(M$)	2.4997	+0.0132	992 - 002	2.5002	2.4848	2.5025	-1.4	2.5079	-1.3	2.5292	-1.2	-
New Zealand	(NZ$)	1.4494	+0.0009	489 - 499	1.4499	1.4495	1.4517	-1.9	1.456	-1.8	1.4767	-1.9	-
Philippines	(Peso)	26.3700	+0.005	600 - 800	26.3800	26.3600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7506	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4414	+0.0045	409 - 419	1.4419	1.4344	1.4392	1.8	1.4346	1.9	1.4134	1.9	-
South Africa	(R)	4.4285	+0.015	270 - 300	4.4300	4.4140	4.4692	-11.0	4.5442	-10.5	4.859	-9.7	-
South Korea	(Won)	894.000	+1	000 - 000	896.900	882.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5500	-	300 - 700	27.5700	27.5300	27.5501	0.0	27.5503	0.0	-	-	-
Thailand	(Bt)	26.0500	+0.065	400 - 600	26.0600	26.0400	26.14	-4.1	26.3075	-4.0	26.945	-3.4	-

† SDR rate per $ for Apr 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 4: Base average 1990=100. Pound Spot and Dollar Spot: April 4 Day's mid high/low values published in April 5/7 editions were incorrect. Please fax (0171) 825 7644 for corrected figures.
The exchange rates printed in this table are also available on the internet at http//www.FT.com

WORLD INTEREST RATES

MONEY RATES

April 7	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3⅜	3⅜	3½	6.00	2.50	-
France	3⅛	3⅛	3¼	3⅜	3½	3.10	-	4.75
Germany	3⅛	3⅛	3⅛	3¼	3⅜	4.50	2.50	3.00
Ireland	5½	5⅞	6⅛	5⅞	5⅝	-	-	6.25
Italy	7⅜	7¼	7⅛	7⅛	7	8.25	6.75	7.34
Netherlands	3⅛	3⅛	3⅛	3⅛	3⅜	-	3.00	3.30
Switzerland	1¼	1½	1⅝	1⅝	1⅝	-	1.00	-
US	5⅜	5⅝	5⅝	5⅞	6⅛	-	5.00	-
Japan	½	½	½	⅝	¾	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅝	6	6⅜	-	-	-
US Dollar CDs	-	5.48	5.56	5.72	6.08	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4⅜	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅛	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3¼	3⅜ - 3⅛	3¹¹⁄₃₂ - 3⁷⁄₃₂	3⅜ - 3⅜	3⁷⁄₁₆ - 3⁵⁄₁₆	3¹⁷⁄₃₂ - 3¹³⁄₃₂
Danish Krone	3½ - 3⅜	3⅜ - 3⅜	3⅜ - 3⁷⁄₁₆	3¾ - 3⅝	3²³⁄₃₂ - 3¹¹⁄₁₆	4⅛ - 3⅞
German Mark	3⁵⁄₁₆ - 3³⁄₁₆	3¼ - 3	3⅜ - 3⅛	3⅜ - 3⅜	3⅜ - 3⅜	3⅝ - 3½
Dutch Guilder	3⅛ - 3⅛	3⅛ - 3	3⅜ - 3⅛	3⅜ - 3⅜	3⁷⁄₁₆ - 3⅜	3⅝ - 3½
French Franc	3¼ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3¼	3½ - 3⅜
Portuguese Esc.	6¼ - 6⅛	6¼ - 6⅛	6¼ - 6⅛	6⅜ - 6⅛	5⅝ - 5¾	5⅝ - 5⅝
Spanish Peseta	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝
Sterling	6⅛ - 6	6⅛ - 6⅛	6⅜ - 6⅜	6⅝ - 6⅝	6⅝ - 6⅝	7⅛ - 6⅝
Swiss Franc	1½ - 1	1¾ - 1⅝	1⅝ - 1⅝	1⅞ - 1¾	1⅝ - 1¾	1⅝ - 1⅝
Canadian Dollar	3⅛ - 2⅞	3⅜ - 3⅛	3⅜ - 3⅜	3⅜ - 3⅜	3⅞ - 3⅞	4⅜ - 4⅜
US Dollar	5⁷⁄₁₆ - 5⁵⁄₁₆	5⅝ - 5½	5⅝ - 5⅝	5⅝ - 5⅝	6 - 5⅞	6⅛ - 6⅛
Italian Lira	7⅝ - 6⅝	7⅜ - 7⅛	7⅜ - 7⅜	7⅜ - 7	7⅛ - 6⅞	6⅞ - 6⅝
Japanese Yen	½ - ½	½ - ½	½ - ⅜	⅝ - ½	⅝ - ½	⅝ - ½
Asian $Sing	3½ - 3⅛	3⅜ - 3⅜	3⅜ - 3⅜	4¼ - 3¾	4¼ - 3¾	3⅜ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF)Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.65	96.69	+0.05	96.69	96.65	22,469	54,658
Sep	96.57	96.60	+0.06	96.61	96.56	8,808	48,294
Dec	96.42	96.47	+0.08	96.47	96.42	5,925	29,839

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.77	96.76	-	96.77	96.75	31169	222811
Sep	96.69	96.69	-	96.71	96.69	26557	182075
Dec	96.52	96.53	+0.02	96.54	96.51	18973	205216
Mar	96.33	96.36	+0.04	96.37	96.33	22383	156796

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr		96.79	-			0	7224
May		96.79	+0.01			0	3926
Jun		96.78	+0.01			0	625
Jul		96.78	+0.01			0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.00	93.15	+0.17	93.16	93.00	31709	113195
Sep	93.35	93.49	+0.21	93.51	93.35	26756	64967
Dec	93.46	93.59	+0.21	93.60	93.45	11410	40141
Mar	93.44	93.59	+0.22	93.60	93.44	3272	24587

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.17	98.15	-0.01	98.17	98.14	5155	44572
Sep	98.14	98.12	+0.01	98.14	98.11	2143	22477
Dec	97.98	97.97	+0.01	97.99	97.96	524	14811
Mar	97.85	97.83	+0.01	97.85	97.82	307	7418

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.40	-0.01			0	na
Sep		99.31	-0.01			0	na
Dec		99.16	-0.01			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.82	95.87	+0.07	95.87	95.82	1564	8573
Sep	95.74	95.79	+0.08	95.79	95.73	350	4987
Dec	95.64	95.69	+0.09	95.69	95.63	192	5310
Mar	95.52	95.58	+0.11	95.57	95.52	139	3740

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9300	0.31	0.69	0.84	0.16	0.20	0.25
9325	0.17	0.51	0.67	0.27	0.27	0.33
9350	0.09	0.37	0.52	0.44	0.38	0.43

Est. vol. total, Calls 5327 Puts 1578. Previous day's open int., Calls 147648 Puts 61532

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.47	16.31	4.848	1.824	4770	5.453	19.74	486.5	409.3	21.87	4.159	1.739	3.937	2.833	356.3	2.478
Denmark	(DKr)	54.15	10	8.834	2.625	0.988	2583	2.953	10.69	263.5	221.7	11.85	2.252	0.942	2.132	1.534	192.9	1.342
France	(FFr)	61.30	11.32	10	2.972	1.119	2924	3.343	12.10	298.2	250.9	13.41	2.550	1.066	2.413	1.736	218.4	1.519
Germany	(DM)	20.63	3.809	3.365	1	0.376	983.9	1.125	4.071	100.4	84.43	4.512	0.858	0.359	0.812	0.584	73.49	0.511
Ireland	(I£)	54.82	10.12	8.944	2.658	1	2615	2.990	10.82	266.7	224.4	11.99	2.280	0.953	2.158	1.553	195.3	1.358
Italy	(L)	2.097	0.387	0.342	0.102	0.038	100.	0.114	0.414	10.20	8.582	0.459	0.087	0.036	0.083	0.059	7.470	0.052
Netherlands	(Fl)	18.34	3.386	2.992	0.889	0.335	874.7	1	3.618	89.22	75.06	4.011	0.763	0.319	0.722	0.519	65.34	0.454
Norway	(NKr)	50.67	9.357	8.266	2.456	0.924	2417	2.763	10	246.5	207.4	11.08	2.107	0.881	1.995	1.435	180.5	1.256
Portugal	(Es)	20.55	3.796	3.353	0.996	0.375	980.3	1.121	4.056	100.	84.13	4.496	0.855	0.357	0.809	0.582	73.23	0.509
Spain	(Pta)	24.43	4.511	3.986	1.184	0.446	1165	1.332	4.822	118.9	100.	5.344	1.016	0.425	0.962	0.692	87.04	0.605
Sweden	(SKr)	45.72	8.442	7.458	2.219	0.834	2180	2.493	9.022	222.4	187.1	10	1.901	0.795	1.800	1.295	162.9	1.133
Switzerland	(SFr)	24.04	4.440	3.922	1.166	0.439	1147	1.311	4.745	117.0	98.41	5.259	1	0.419	0.946	0.681	85.66	0.596
UK	(£)	57.51	10.62	9.382	2.788	1.049	2743	3.136	11.35	279.8	235.4	12.58	2.392	1	2.264	1.629	204.8	1.425
Canada	(C$)	25.40	4.691	4.144	1.231	0.463	1212	1.385	5.013	123.6	104.0	5.557	1.057	0.442	1	0.720	90.50	0.628
US	($)	35.30	6.518	5.759	1.711	0.644	1684	1.925	6.967	171.8	144.5	7.723	1.468	0.614	1.390	1	125.8	0.875
Japan	(Y)	28.07	5.183	4.579	1.361	0.512	1339	1.531	5.539	136.6	114.9	6.140	1.167	0.488	1.105	0.795	100.	0.695
Ecu		40.36	7.453	6.584	1.956	0.736	1925	2.201	7.965	196.4	165.2	8.828	1.679	0.702	1.589	1.143	143.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5966	0.5877	-0.0089	0.5966	0.5877	31,811	62,736
Sep	0.5950	0.5926	-0.0080	0.5950	0.5922	28	2,533
Dec	-	0.6075	-	-	0.5977	1	207

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8129	0.8129	-0.0114	0.8151	0.8041	31,800	69,840
Sep	0.8220	0.8240	-0.0118	0.8220	0.8157	220	943
Dec	0.8290	0.8480	-0.0072	0.8290	0.8279	72	463

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6985	0.6868	-0.0117	0.6987	0.6867	18,652	40,323
Sep	0.7025	0.6945	-0.0111	0.7025	0.6945	79	2,133
Dec	0.7015	0.7192	+0.0069	0.7160	0.7140	3	429

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6328	1.6328	-0.0112	1.6344	1.5630	8,805	35,875
Sep	1.6220	1.6320	-0.0096	1.6220	1.6200	10	841
Dec	-	1.6380	-	-	1.6170	11	101

UK INTEREST RATES

LONDON MONEY RATES

Apr 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 4	6⅛ - 5⅞	6⅛ - 6⅛	6½ - 6⅜	6¾ - 6⅝	7⅛ - 6⅞
Sterling CDs	-	-	6⅛ - 6⅛	6⅜ - 6⅜	6⅝ - 6⅝	6⅞ - 6⅞
Treasury Bills	-	-	6⅛ - 5⅞	6⅛ - 6⅜	-	-
Bank Bills	-	-	6⅛ - 5⅞	6¼ - 6⅛	6⅜ - 6⅜	-
Local authority deps.	5⅞ - 5¾	5⅞ - 5¾	6 - 5⅞	6¼ - 6⅛	6½ - 6⅜	6⅞ - 6¾
Discount Market deps	6⅛ - 5⅞	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Apr 4, 6.0914pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 27, 1997. Agreed rate for period Apr 22, 1997 to May 25, 1997, Scheme III 7.53pc. Reference rate for period Mar 1, 1997 to Mar 27, 1997, Schemes IV & V 6.282pc. Finance House Base Rate 6½pc from Apr 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.30	93.30	-	93.31	93.25	21828	125629
Sep	93.01	92.98	-0.02	93.01	92.91	17882	89075
Dec	92.77	92.76	-	92.77	92.67	29304	66176
Mar	92.59	92.60	+0.02	92.60	92.49	9159	46366
Jun	92.45	92.50	+0.05	92.50	92.38	4108	39113

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9325	0.15	0.10	0.10	0.10	0.37	0.59
9350	0.04	0.04	0.05	0.24	0.56	0.79
9375	0.01	0.02	0.02	0.46	0.79	1.01

Est. vol. total, Calls 13544 Puts 6357. Previous day's open int., Calls 154598 Puts 160208

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	•Singer & Friedlander	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	•Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
•Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	• Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		•Rea Brothers	6.00		

EMS EUROPEAN CURRENCY UNIT RATES

Apr 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	196.545	+0.144	-0.43	2.48	3
Finland	5.85424	5.85149	-0.00483	-0.05	2.09	0
Ireland	0.798709	0.738542	+0.002679	-7.53	10.35	51
Spain	163.826	165.413	+0.106	0.97	1.06	-7
Italy	1906.48	1928.81	-7.89	1.17	0.86	-8
Netherlands	2.16979	2.20294	+0.00347	1.53	0.50	-11
Denmark	7.34555	7.45870	+0.00966	1.54	0.49	-11
Germany	1.92573	1.95797	+0.00353	1.67	0.36	-17
Austria	13.5485	13.7911	+0.0253	1.72	0.32	-13
Belgium	39.7181	40.4015	+0.0671	1.72	0.32	-13
France	6.45863	6.59041	+0.00867	2.04	0.00	-17
NON ERM MEMBERS						
Greece	295.269	309.458	+0.026	4.81	-2.64	-
UK	0.793103	0.706945	-0.004841	-10.86	14.48	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.630	1.06	2.07	2.51	0.45	1.55	2.21
1.640	0.54	1.58	2.07	0.94	2.06	2.68
1.650	0.28	1.18	1.66	1.63	2.60	3.28

Previous day's vol., Calls 298 Puts 0 . Prev. day's open int., Calls 31,355 Puts 33,730

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
0.595	0.27	0.73	1.02	0.33	0.67	0.87
0.600	0.10	0.50	0.76	0.65	0.95	1.17
0.605	0.03	0.34	0.58	-	1.29	1.45

Previous day's vol., Calls 3,210 Puts 1,724 . Prev. day's open int., Calls 29,905 Puts 41,271

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.03	94.05	+0.02	94.06	94.03	137,836	511,674
Sep	93.69	93.72	-	93.74	93.69	148,252	394,159
Dec	93.40	93.42	-	93.42	93.41	123,709	278,453

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.82	94.82	-	94.63	94.81	527	6,647
Sep	94.28	94.30	+0.02	94.30	94.28	438	3,255
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9675	0.02	0.03	0.05	0.07	0.01	0.02	0.04	0.13
9700	0	0	0.01	0.02	0.24	0.24	0.25	0.33
9725	0	0	0	0	0.49	0.49	0.49	0.56

Est. vol. total, Calls 5500 Puts 7808. Previous day's open int., Calls 435535 Puts 236470

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9825	0.06	0.12	0.15	0.16	0.25	0.43
9850	0.02	0.04	0.07	0.37	0.42	0.60

Est. vol. total, Calls 0 Puts 50. Previous day's open int., Calls 1025 Puts 1485

COMMODITIES AND AGRICULTURE

Strong start for Tokyo aluminium future

By Gillian Tett in Tokyo and Kenneth Gooding in London

The Japanese government's attempts to strengthen Tokyo's position as a global financial centre received a small boost yesterday after a new futures contract in aluminium was launched and triggered strong trading, with 19,645 contracts exchanged.

The yen-denominated contract is the first to be introduced by the Tokyo Commodity Exchange (Tocom) for five years, and the first aluminium futures contract launched in the Asian time zone.

Japan, which is the world's second largest user of aluminium but imports nearly every tonne it needs, hopes the contract will attract new business to Tokyo by bolstering its position as a commodity trading centre for Asia.

If the contract is successful, Tocom might expand further by introducing a new energy contract and a contract for copper.

Tocom, which has the support of the Ministry of International Trade and Industry (Miti) for its contract launch, approved 74 members in February – including all nine of Japan's leading trading houses – to trade it, as well as appointing 16 warehouses to store aluminium deliverable against the contracts.

However, analysts suggested yesterday that the new Tocom contract posed no threat to the London Metal Exchange's domination of global aluminium trading. The Japanese contract was aimed at the domestic market, whereas the US dollar-denominated LME contract was traded globally 24 hours a day.

Mr Angus MacMillan, head of research at Billiton Metals, a subsidiary of Gencor of South Africa, suggested there were enough LME brokerage representatives in Tokyo to make the new contract superfluous, and he recalled that the Japanese Aluminium Federation had opposed it. "I think [Tocom] will have trouble with liquidity and there will not be enough volume because the contract does not cover enough forward dates."

Mr Robin Bhar, analyst at Brandeis (Brokers), part of Pechiney, the French aluminium group, said: "It is difficult to envisage the Tocom contract rivalling the LME's as one with global participation."

Some brokers might use the two contracts for arbitrage if Tocom built up enough liquidity, but the launch might create friction between aluminium companies and their customers if prices on the two exchanges moved too far apart, he said.

Bre-X leaves more questions than answers

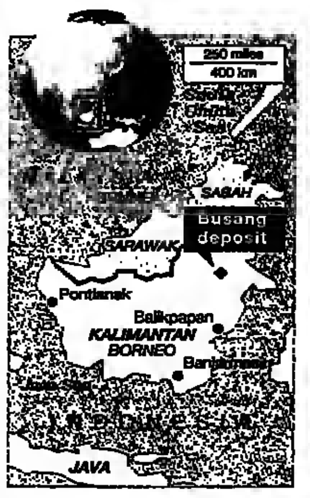
On March 18, Michael de Guzman, chief geologist at Canadian exploration company Bre-X Minerals, phoned his wife before boarding a helicopter in Balikpapan, asking her to book a table at a local restaurant to celebrate their first wedding anniversary.

It was the last time Mrs Lilis de Guzman heard from her 40-year old Filipino husband. Next day she read in a local paper that he had plummeted 800 feet from a helicopter on his way to the Busang gold deposit in east Kalimantan he helped discover. A few days later, she read that police were saying de Guzman had left a suicide note saying he was taking his life because of ill-health.

For Mrs de Guzman, the surprises did not end there. After her husband's death she found out that he had another wife, and children, in the Philippines; he had told her he was divorced.

Sitting in her Rp295m ($122,000) house – a gift from her husband – she fingers the cross at her neck. "I don't know if he committed suicide," she says, shrugging as her brother, sporting a T-shirt with US mining giant Freeport McMoRan & Gold's logo, looks on. "But I am not angry, it's happened now anyway."

The investment community has been less forgiving. De Guzman's death sparked a chain of events which wiped billions of dollars off Bre-X stock, leaving investors wondering whether Busang contained any trace of the 71m ounces of gold the Canadian mining company said it believed were there or whether they were dealing with one of the biggest frauds of the century.



I.B. Sudjana, Indonesian mines and energy minister: says sackings were not due to Busang

Freeport, Bre-X's US partner, has so far found only "insignificant" amounts of gold at Busang, while Bre-X admits its independent consultants, Strathcooa Minerals, say the estimates may have been overstated because of invalid sampling. Bre-X has since added that it stands by its 71m ounce estimate for the deposit.

In the aftermath of these statements, there have been more questions than answers. If Bre-X's estimates about the size of the deposit are correct, why would a geologist who had a hand in finding what was claimed to be the world's richest gold deposit end his life? Was de Guzman as ill as claimed? Why couldn't Freeport and Strathcona find any gold where Bre-X found rich ores? Had Bre-X geologists tampered with the samples?

They are questions which have worried the Filipino mining community in Kalimantan. A former colleague of de Guzman says: "He was meticulous, very concerned about details. If there was an attempt to fool investors, Mike [de Guzman] was not the guy to do it."

With so many contradictions surrounding da Guzman's death, industry executives are turning to geological explanations of how he and fellow geologists may have gone wrong. Questions have been asked, for example, abont why the Bre-X geologists did not split their samples, as is standard practice, with one half analysed and another half stored.

Reports have also suggested the gold found by independent anditors is of the alluvial variety rather than the variety found in hard rock, as should have been the case in Busang. Nevertheless, officials at the department of mines and energy in east Kalimantan are keen to believe that the Busang deposit may still contain the gold Bre-X claims is there.

"In the whole of Kalimantan, whether east, west, north or south, indigenous people pan for gold in the rivers. The indication is that somewhere on this island there is a primary source," says a senior official.

Like many Indonesian executives, he qnestions Freeport's decision to issue a statement about the size of the deposit after only a few weeks of drilling.

"[The auditors] need more time to drill before they can come to a firm conclusion. [Busang] is not that small an area," said Mr Simatubang, an official at the Indonesian Mining Association.

Further questions were raised yesterday after two senior Indonesian mining officials were removed from their positions. Mr I.B. Sudjana, minister of mines and energy, denied that the changes had anything to do with the Busang saga.

But while some ponder the size of the deposit, others claim Bre-X does not even have a right to it. Bre-X's former Indonesian partner, Kreung Gasui, has stepped up its claim to the deposit, arguing thet Bre-X technically has no right to it because it never consulted or involved Kreung Gasui in its applications for the necessary "contracts of work" to explore the Busang area.

That a company is prepared to argue its way into a venture that may be nowhere near as rich as was claimed has raised eyebrows, but Kreung Gasui is banking on Busang still having sizeable amounts of gold even if it is not the world's largest deposit.

By April 3, Strathcona had drilled six holes in what was claimed to be the richest area of the deposit – Busang II. The samples of the first two drills were in Balikpapan, locked in a container in an empty hangar under heavy security before being sent to Australia for assaying by three independent laboratories.

Further assays were on their way and results are not due to be made public until early May.

Manuela Saragosa

Heavy selling hits cocoa

MARKETS REPORT

By Gary Mead and Kenneth Gooding

Several main commodities saw big price falls yesterday, which specialists attributed to heavy selling by investment funds, with profit-taking and fears of interest rate rises seen as the prime factors behind the downturn.

Selling was especially heavy in cocoa, which fell some 6 per cent in morning trading on the London International Financial Futures Exchange; by early afternoon the May future price was down to £979 a tonne, the lowest since March 10.

"For a moment there was real panic out there this morning", one trader said. He attributed the plunge to technical reasons, adding: "I still feel bullish on cocoa – these sort of moves don't reflect fundamentals but are just a shake-out." The May figure recovered to £994 a tonne by the close, down £50. The July contract ended down £51 to £1,008, though it had touched £985 at ona point.

The May contract for Brent, the key benchmark for crude oil, had by midday yesterday rallied strongly from an 11-month low. The Brent May price was 26 cents a barrel higher on the day at $17.94, while the June contract was up 24 cents at $18.17. It later peaked at $18.11, before dipping later to $18.01. Traders expected the rise to be shortlived, thanks to plentiful atocks in the US and elsewhere. In the US, Nymex May crude rose 35 cents in aarly trading to $19.47, later reaching $19.62.

In Chicago wheat futures rose by mid-session, with concern that bad weather may delay the planting of the US spring crop and could damage some of the US winter wheat crop. The May contract rose 6¼ at $3.78.

All London Metal Exchange prices fell sharply under pressure from fund selling. Lead was down 5 per cent while aluminium, copper and nickel each fell more than 3 per cent. "This is a short-term correction, not a trend," said Mr Jim Lennon, analyst at Macquarie Bank.

Madagascar under threat from locusts

By Alison Maitland

An outbreak of locusts on the African island of Madagascar threatens to develop into a "major plague" without urgent international assistance, the United Nations Food and Agriculture Organisation said.

Tha Rome-based agency is appealing to donors for $2m to buy pesticides, hire aircraft and ground vehicles, and pay for operational expenses.

The FAO said the migratory locust outbreak could pose a serious threat to agriculture on the island off Mozambique, which is well-known for the production of vanilla and other spices.

The locust migration is already covering about 2m hectares in the south-west of the country and "there is a high risk that further breeding will occur over an increasingly large area."

The FAO's specialist locust group said Madagascar, which is one of the world's poorest countries, did not have the resources to cope with such a large infestation.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1550-51	1585-86
Previous	1580.5-1.5	1615-6
High/low	1549	1610/1567
AM Official	1549-49.5	1584.5-85.0
Kerb close		1583-84
Open int.	271,191	
Total daily turnover	101,705	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1455-60	1485-90
Previous	1480-85	1510-3
High/low		1505/1480
AM Official	1460-61	1494-95
Kerb close		1480-85
Open int.	5,743	
Total daily turnover	1,246	

■ LEAD ($ per tonne)

Close	648-49	649-50
Previous	677-8	675-6
High/low	649	665/635
AM Official	638-40	639-39.5
Kerb close		651-52
Open int.	39,409	
Total daily turnover	12,558	

■ NICKEL ($ per tonne)

Close	7175-85	7290-95
Previous	7400-10	7515-25
High/low	7200	7500/7250
AM Official	7190-200	7300-305
Kerb close		7295-305
Open int.	51,012	
Total daily turnover	21,265	

■ TIN ($ per tonne)

Close	5690-95	5730-31
Previous	5780-85	5810-15
High/low		5620/5620
AM Official	5620-30	5670-75
Kerb close		5710-20
Open int.	19,341	
Total daily turnover	5,655	

■ ZINC, special high grade ($ per tonne)

Close	1127.5-28.5	1253-54
Previous	1243-4	1267-8
High/low	1213	1268/1233
AM Official	1213-13.5	1239-39.5
Kerb close		1247-48
Open int.	87,329	
Total daily turnover	37,214	

■ COPPER, grade A ($ per tonne)

Close	2321-24	2283-84
Previous	2370-3	2328-9
High/low	2325	2330/2284
AM Official	2320-25	2275-78
Kerb close		
Open int.	139,523	
Total daily turnover	65,694	

■ LME AM Official £/$ rate: 1.6264
LME Closing £/$ rate: 1.6286

Spot: 1.6279 3 mths: 1.6256 6 mths: 1.6224 9 mths: 1.6186

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	100.50	−3.40	106.70	106.00	340	3,365
May	104.75	−3.55	108.35	104.40	6,821	21,443
Jun	103.90	−3.40	105.20	103.80	411	1,498
Jul	103.15	−3.25	106.50	103.00	1,429	6,603
Aug	102.25	−3.35	103.40	102.30	74	750
Sep	101.35	−3.05	102.50	101.50	239	4,141
Total					9,367	90,717

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	348.50-349.00		
Opening	347.80-348.20		
Morning fix	347.85	213.313	506.783
Afternoon fix	349.00	214.308	511.355
Day's High	349.00-349.40		
Day's Low	346.50-346.90		
Previous close	347.10-347.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.59 6 months 4.55
2 months ....4.56 12 months 4.51
3 months 4.56

Silver Fix	p/troy oz.	US cts equiv.
Spot	292.70	478.25
3 months	296.85	482.35
6 months	301.35	489.70
1 year	310.50	501.85

Gold Coins	$ price	£ equiv.
Krugerrand	349-351	214-215
Maple Leaf	-	-
New Sovereign	82-85	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	348.4	+0.9	349.1	347.2	84	712
May	349.5	−0.2	–	–	–	–
Jun	351.1	+0.8	352.3	349.4	22,834	66,157
Aug	353.8	+1.2	354.4	353.0	432	13,348
Oct	356.5	+1.5	356.8	354.8	14	5,633
Dec	359.4	+1.4	360.7	357.5	988	21,805
Total					24,337	160,197

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	364.5	+2.5	365.0	365.0	10	89
Jul	368.5	+2.5	371.0	365.2	3,410	12,579
Oct	371.0	+2.0	–	–	50	2,219
Jan	373.2	−0.4	–	–	17	1,155
Total					3,478	16,048

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	152.45	+3.60	153.50	150.50	772	7,369
Sep	153.45	+3.70	154.50	154.50	133	1,903
Dec	154.45	+3.00	–	–	1	191
Total					985	9,463

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	477.3	+6.2	–	–	4	2
May	479.0	+5.5	480.5	470.0	17,802	55,906
Jul	483.9	+5.9	485.5	479.0	2,735	23,311
Sep	488.7	+6.2	489.5	485.5	241	3,866
Dec	496.1	+5.1	498.0	489.5	500	5,376
Jan	498.7	+6.2	–	493.5	1	10
Total					21,244	98,125

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	19.56	+0.44	19.62	19.15	51,286	83,354
Jun	10.58	+0.38	10.60	19.25	22,567	66,240
Jul	19.60	+0.30	19.64	19.36	12,074	36,070
Aug	19.62	+0.27	19.66	19.40	4,579	24,538
Sep	19.58	+0.19	19.67	19.51	3,062	16,719
Oct	19.66	+0.24	19.70	10.57	953	15,164
Total					n/a	n/a

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	18.08	+0.40	18.11	17.86	12,955	46,243
Jun	18.27	+0.34	18.30	18.08	10,478	53,509
Jul	18.37	+0.25	18.41	18.24	3,578	20,734
Aug	18.44	+0.22	18.51	18.34	1,010	9,862
Sep	18.52	+0.23	18.52	18.46	151	7,467
Oct	18.57	+0.22	18.57	18.50	382	6,380
Total					30,843	166,186

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
May	53.70	+0.56	54.00	53.10	13,763	39,523
Jun	53.10	+0.46	53.50	52.60	6,084	22,069
Jul	53.30	+0.31	53.65	53.00	4,266	18,454
Aug	53.90	+0.31	54.10	53.70	3,874	9,959
Sep	54.70	+0.31	55.00	54.45	3,844	7,110
Oct	55.70	+0.51	55.75	55.60	2,621	7,793
Total					n/a	n/a

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	162.50	+0.25	163.00	161.00	6,113	18,430
May	163.75	–	164.50	162.25	4,856	15,524
Jun	165.25	−0.50	166.00	164.00	2,194	10,134
Jul	167.00	−0.75	167.00	166.00	875	5,477
Aug	168.75	−1.00	169.50	168.00	467	3,041
Sep	170.75	−1.00	171.25	170.50	184	1,630
Total					15,944	67,274

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
May	1.930	−0.012	1.990	1.925	8,961	31,782
Jun	1.990	−0.008	2.030	1.990	2,858	16,894
Jul	2.010	–	2.035	2.000	1,392	13,452
Aug	2.020	−0.002	2.045	2.015	939	9,894
Sep	2.025	+0.025	2.045	2.020	1,117	10,263
Oct	2.045	+0.008	2.070	2.040	669	10,970
Total					n/a	n/a

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	61.50	+1.02	61.50	60.55	12,970	43,312
Jun	60.90	+0.95	60.95	60.30	6,136	26,548
Jul	60.10	+0.81	60.10	59.85	1,373	10,820
Aug	59.10	+0.71	59.10	58.70	521	5,167
Sep	57.50	+0.31	57.70	57.50	365	2,617
Oct	56.25	–	56.25	56.25	158	1,677
Total					n/a	n/a

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	96.25	−1.75	97.25	96.25	359	2,617
Jul	98.00	−1.90	100.00	98.00	214	1,285
Sep	95.75	−0.25	–	–	109	46
Nov	[illegible]					
Jan	[illegible]					
Mar	[illegible]					
Total	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LIFFE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	228.7	+2.7	230.0	228.0	473	6,141
Dec	221.6	+1.3	223.5	220.5	2,852	12,384
Total					33,869	119,577

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	39.5	−4.5	39.9	39.5	35	434
Jun	62.5	−4.5	–	–	–	–
Nov	71.0	+1.0	–	–	5	17
Mar	100.0	+1.0	–	–	–	–
Apr	140.0	+17.5	140.0	127.5	110	771
Total					181	1,222

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	1495	−15	1495	1485	191	1,070
May	1485	−11	1495	1480	175	752
Jul	1260	-	1260	1245	47	781
Oct	1365	–	1385	1360	–	321
Jan	1410	–	1400	1400	3	48
Apr	1410	–	–	–	–	–
Total					429	2,975

	Close	Prev
BFI	1459	1467

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	992	−52	1036	968	5,506	28,027
Jul	1008	−51	1053	985	5,732	15,945
Sep	1017	−52	1059	986	633	11,705
Dec	[illegible]					
Mar	[illegible]					
May	[illegible]					
Total	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LIFFE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ WHITE SUGAR LIFFE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	[illegible]					
Jul	[illegible]					
Oct	[illegible]					
Mar	10.60	+0.02	10.60	10.57	848	16,199
May	10.55	+0.01	10.55	10.54	77	3,179
Jul	10.53	+0.01	10.52	10.52	101	1,534
Total					12,493	182,844

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	72.89	−0.11	73.50	72.45	5,231	31,963
Jul	74.60	+0.07	74.95	74.95	1,734	18,976
Oct	75.55	+0.22	75.78	75.45	144	1,927
Dec	76.42	+0.19	76.49	76.10	1,277	21,903
Mar	77.55	+0.35	77.55	77.10	175	2,408
May	78.20	+0.40	78.00	78.00	5	586
Total					8,366	78,605

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	74.90	+0.35	76.00	74.55	3,167	13,364
Jul	78.10	+0.65	78.80	17.00	1,179	7,907
Sep	81.00	+0.90	61.75	80.35	293	4,417
Nov	83.45	+0.95	84.00	84.00	70	1,946
Jan	85.45	+1.10	86.75	86.00	94	611
Mar	87.45	+1.10	88.00	87.50	43	523
Total					4,806	29,004

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 7	Apr 4	month ago	year ago
1950.1	1989.6	2003.2	–

■ CRB Futures (Base: 1967 = 100)

Apr 4	Apr 3	month ago	year ago
240.35	241.62		

■ GSCI Spot (Base: 1970 = 100)

Apr 4	Apr 3	month ago	year ago
186.56	187.50	191.68	213.39

Tea
There was a slackening demand for tea, The Tea Brokers' Association reports. Landed bright East African teas came to a selective market and found irregular prices following quality.

Medium teas found good competition making firm and often dearer rates.

Offshore – better liquoring Kenyan and Zimbabwean teas sold well at firm to dearer levels but others were irregular and tended lower.

Quotations for this sale: Landed best available 178p; good 152p; good medium 142p, medium 137p, low medium NQ. The highest price realised this week was 178p for a Kenyan PD.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	66.975	−0.650	67.750	66.950	6,784	18,887
Jun	63.250	−0.800	64.075	63.100	7,026	35,402
Aug	63.425	−0.450	63.950	63.350	2,088	24,043
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Total	[illegible]					

■ LEAN HOGS CME (40,000lbs; cents/lbs) [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne – Calls – – Puts –

■ ALUMINIUM (99.7%) LME [illegible]

■ COPPER (Grade A) LME [illegible]

■ COFFEE LIFFE [illegible]

■ COCOA LIFFE [illegible]

■ BRENT CRUDE IPE [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

		+or-
Dubai	[illegible]	−0.045
Brent Blend (dated)	[illegible]	−0.275
Brent Blend (May)	[illegible]	−0.175
W.T.I.	[illegible]	−0.040

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	[illegible]	−3
Gas Oil	[illegible]	
Heavy Fuel Oil	[illegible]	
Naphtha	[illegible]	−1.5
Jet fuel	[illegible]	
Diesel	[illegible]	−1.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	[illegible]	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (May)	[illegible]	−0.015

■ OTHER

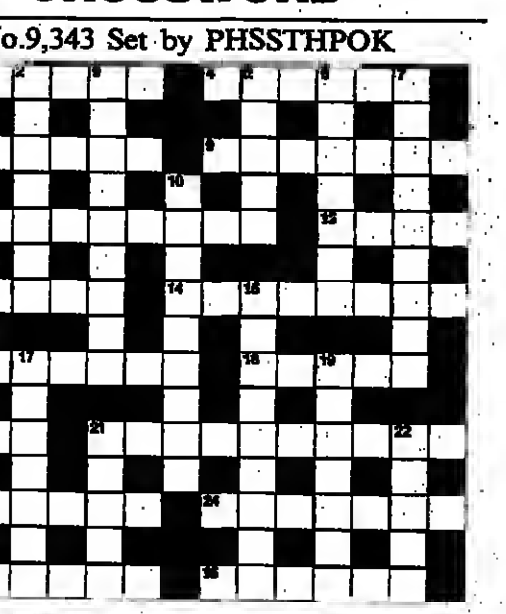
Gold (per troy oz)♦	[illegible]	−1.40
Silver (per troy oz)♦	[illegible]	+7.00
Platinum (per troy oz.)	[illegible]	
Palladium (per troy oz.)	[illegible]	+4.50
Copper	[illegible]	
Lead (US prod.)	[illegible]	
Tin (Kuala Lumpur)	[illegible]	−0.02
Tin (New York)	[illegible]	−7.00
Cattle (live weight)	[illegible]	+0.86*
Sheep (live weight)	[illegible]	+4.95*
Pigs (live weight)	[illegible]	−21.46*
Lon. day sugar (raw)	[illegible]	−1.10
Lon. day sugar (wte)	[illegible]	−1.70
Barley (Eng. feed)	[illegible]	
Maize (US No3 Yellow)	[illegible]	−0.25
Wheat (US Dark North)	[illegible]	
Rubber (May)♥	[illegible]	
Rubber (Jun)♥	[illegible]	
Rubber (KL RSS No1)	[illegible]	−1.5
Coconut Oil (Phil)§	[illegible]	+2.0
Palm Oil (Malay.)§	[illegible]	+17.5
Copra (Phil)§	[illegible]	
Soyabeans (US)	[illegible]	−2.0
Cotton Outlook'A' index	[illegible]	+0.40
Wooltops (64s Super)	[illegible]	−4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. ♥ May ♦ z Apr London Physical. § CIF Rotterdam. ♦ Bullion market close. * Change on week. †Based on 1,181 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,343 Set by PHSSTHPOK



ACROSS
1 Saint is followed by widespread conflict (6)
4 Ancient warning in a note written by a spirit (6)
8 One wears a French fashion outfit (7)
9 Thrust miles up in the air (7)
11 View with admiration (10)
12 This plays a pivotal role in a vote by the French (4)
13 Mountain tops of sheer ice never attract insects (5)
14 Working at tube, in medical emergency! (8)
16 The queen is behind tax fraud (8)
18 Angry with traitor that is imprisoned (5)
20 Wear ruffle (4)
21 Let ont a flood? Not this (10)
23 Talked about the moment of revolution (7)
24 Right to end video that is more blurred (7)
25 Rift involving balf of school with doctrine (6)
26 What's hidden in bag has them horrified (6)

DOWN
1 We object after a trespass on personal space (5)
2 Funfair is destroyed by hooligan (7)
3 Would he compile a catalogue? (9)
5 This fruit is a disappointment.... (5)
6 .... and this fruit makes no sense (7)
7 Fixing time – stole kiss under this (9)
10 This is the result if I regild ornamentally (9)
13 Dreary flower clipped to fit Mexican heads (9)
15 Slowly dropping some cards left in a note (9)
17 Bird is not quite the wealthiest (7)
19 Blood loss from an empty ampoule with point upwards (7)
21 Metal used to support ship (5)
22 Episode from the Bible following woman (5)

Solution to Saturday's prize puzzle on Saturday April 19.
Solution to yesterday's prize puzzle on Monday April 21.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Abtrust Fund Mngrs Luxembourg SA (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Init Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Global Cap Portfolio		$3.858		+0.004	-
United States Portfolio		$5.742xn		+0.009	-
Contl Europe Portfolio	0	DM7.502		-0.035	-
Japan Portfolio		¥0.553		-0.004	-
Pacific Portfolio		$8.350		+0.019	-
Gold Portfolio		$5.751		-0.019	-
UK Growth of Income		£2.2138		+0.002	3.97
Dollar Portfolio		$1.8479		+0.001	7.03
Sterling Portfolio		£1.0332		+0.001	6.30

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International - Contd.				
[illegible]				
[illegible]	£1.365	1.400	...	-
[illegible]	$1.293	1.379	...	-
[illegible]	$1.472	1.383	---	-
[illegible]	$1.275	1.350	---	-
[illegible]	$1.162	1.250	---	-
[illegible]	$1.142	1.228	---	-
[illegible]	$0.950	1.072	---	-
[illegible]	$1.220	1.311	---	-
[illegible]	$0.800	0.925	---	-
[illegible]	DM0.876	0.945	---	-
Old Mutual International (Ireland) Ltd				
PO Box 121, St Peter Port, Guernsey			01481 726726	
Emerging Markets Bond	$1.370	1.473	---	-
[illegible]	$0.928	0.987	---	-
[illegible]	$1.306	1.404	---	-
[illegible]	DM1.687	1.718	---	-
[illegible] Managed Currency	$0.930	1.000	---	-
DEM Managed Currency	DM0.930	1.000	---	-
Sterling Managed Currency	£0.930	1.000	---	-
[illegible]	$1.054	1.133	---	-
[illegible]	DM1.077	1.158	---	-
[illegible]	£1.042	1.121	---	-
[illegible] Managed	$1.121	1.206	---	-
DEM Managed	DM1.186	1.280	---	-
Sterling Managed	£0.948	1.019	---	-
[illegible]	$1.116	1.200	---	-
[illegible]	DM1.150	1.237	---	-
[illegible]	£1.006	1.081	---	-
[illegible]	$0.845	0.909	---	-
[illegible]	DM0.930	1.000	---	-
[illegible]	£0.848	0.911	---	-
[illegible]	£0.955	1.026	---	-
[illegible]	DM0.883	0.949	---	-
[illegible] UK Growth	£0.961	1.034	---	-
GT [illegible]	$0.897	0.964	---	-
[illegible]	DM0.954	1.026	---	-
[illegible]	$0.817	0.878	---	-
[illegible]	$0.857	0.922	---	-
Old Mutual International (Isle of Man) Ltd				
[illegible], Prospect Hill, Douglas, IoM			01624 [illegible]	
Distribution Fund-Deferred	$1.12		+0.26	-
Distribution Fund-[illegible]	$1.45		+0.10	5.44
Distribution Fund-Half Yearly	$1.22		+0.05	5.54
European Equity	164.81	177.21	+1.32	-
Far Eastern Equity	$1.7672	1.9002	+0.009	-
North American Equity	[illegible]	[illegible]	[illegible]	[illegible]

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Asset Management				
AXA Valeurs	FFr169.778		—	-
AXA Europe Actions Cap.	FFr353.105		—	-
AXA Europe Actions Dist.	FFr349.202		—	-
[illegible]	FFr188.[illegible]		—	-
[illegible]	FFr153.128		—	-
AXA MPI Cap.	FFr161.217		—	-
AXA MPI Dist.	FFr146.836		—	-
Apax Bank & Trust Company				
GCM UK Convertible (OEIC)	$1282.50		—	-
GCM Intl Fixed Income (OEIC)	$1182.09		—	-
GCM Intl Equity (OEIC)	$1151.16		—	-
Acciones y Valores de Mexico SA de CV				
Accival Apr 2	Pesos42.86		—	-
Africa Emerging Markets Fund				
NAV Mar 27	$15.5000		—	-
Agribusiness Fund Management Co				
ABC Bond	$10.00		—	-
Closed	$1.11		—	-
Alliance Capital				
International			[illegible]	-
International Class B			[illegible]	-
Quasar			[illegible]	-
Quasar Class B			[illegible]	-
Global Small Cap			[illegible]	-
Global Small Cap Class B			[illegible]	-
ACM [illegible] (OEIC)	$1099.81		—	-
ACM [illegible] (OEIC)	$1103.64		—	-
Allied Dunbar International Fund Mngrs (1000)F				
ADI Emerging Asia	$0.6795	0.7286	+0.0020	0
Alnwick Capital Management Ltd				
Alnwick Growth Fund and Unit Trust				
Class A	[illegible]	102.77	—	-
Class B	[illegible]	102.77	—	-
Alpha Fund Management Ltd				
Alpha Europe Feb 28	Ecu290.37		—	-
Alpha Futures Feb 28	$250.52		—	-
Alpha Global Feb 28	$1172.38		—	-
Alpha Atlas Jan 31	$109.00		—	-
Alpha Atlas Fd Ltd NYC Cl	$154.54		—	-
[illegible]	$123.05		—	-
Alpha Hedge Class A Feb 28	$482.65		—	-
Alpha Hedge Class B Feb 28	$155.02		—	-

	Selling Price	Buying Price	+ or -	Yield Gross
The Swedish Prosperity Fund				
A Shares	$20.77		—	-
B Shares	$19.93		—	-
Worldwide Limited				
NAV Feb 28	$81.45		—	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$11.27		—	-
Xiphias [illegible] ECU Acc	Ecu1.[illegible]		—	-
Zenett Lombardier Ltd				
NAV Feb 28	$224.57		—	-
Zelant Investment Management AG				
European Focus Mar 31	DM155.307		—	-
Zweig–DiMenna International Limited				
NAV Mar 31	$15767		—	-

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(*) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(♥) 0001 to 1100 hours
(♣) 1101 to 1400 hours
(♦) 1401 to 1700 hours
(♠) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
b Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
‡ Previous day's price.
§§ Guernsey gross.
Δ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
$ Only available to charitable bodies.
Φ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt CapCm	Yld Gr's	P/E
Anglo Am Ind		£24½		*£31¼	£20¼	1,886	3.1	♦
Barlow	‡	[illegible]	-¼	£9⅞	£5⅜	1,483	2.1	14.2
Gold Flds Prop R	†	138	+1	171½	120	14.1	6.5	10.2
SA Brews		£19¼	+¾	£24⅞	£13⅞	5,824	1.8	♦
Standard Bank		£28¼	+¼	£31⅛	£21	3,880	1.5	22.2
Tiger Oats		1077	+13	1150	770	1,820	1.7	21.0
Tongaat-Hulett		786½	+6	1125	676¼	770.2	2.4	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
k Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e also based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
J Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
S Dividend is paid in whole or part in 4

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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An International service is available for callers outside the UK, annual subscription £250 stg.
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The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie rebounds but buyers show caution

MARKET REPORT

By Peter John

Favourable movements within global currencies and a bounce on Wall Street provided a benign environment for London stocks.

Nevertheless, the FTSE 100 index reacted more cautiously than its European counterparts. Germany's real-time index was up more than 3 per cent whils France gained more than 2 per cent. But the Footsie held on to pre-election caution and rose less than 1 per cent.

Initial impetus for yesterday's bounce came from Friday night's revival on tha Dow Jones Industrial Average, which ended that session 48 higher following an 8 per cent correction in the past few weeks.

Then, the US dollar hit its highest laval against the Japanese yen for four years.

Dollar strength took some of the pressure away from the UK's big overseas earners and helped Footsie to start the day almost 19 points up on Friday's close.

And while the pound hit its highest level against the D-Mark since leaving the ERM in 1992 the rise was prompted by the D-Mark's weakness against tha dollar, not sterling strength.

Only three big companies – Pearson, P&O and Unilever – went ex-dividend and the impact on tha blue-chip index was just 2.5 points – small by recent standards.

Finally, there were no economic figures to worry abont and, in Burmah-Castrol, only one big company result.

So, to continne the recent trend, trading volume was light and any moves upwards largely reflected an absence of selling as opposed to committed buying.

Furthermore, the performance of the second-line indices underlined the international, rather than domestic, basis for the rise. The FTSE 250 closed only 3.6 higher at 4,518.4 and the Small-cap 2.0 up at 2,284.3.

Footsie, on the other hand, ended the session near its high of the day with a net rise of 35.1 to 4,271.7 as Wall Street gained almost 50 points during the last hours of the London session.

Nevertheless, most market-makers are preferring to keep their powder dry at least until after the general election on May 1. Overall turnover was only 680.5m shares by 6pm.

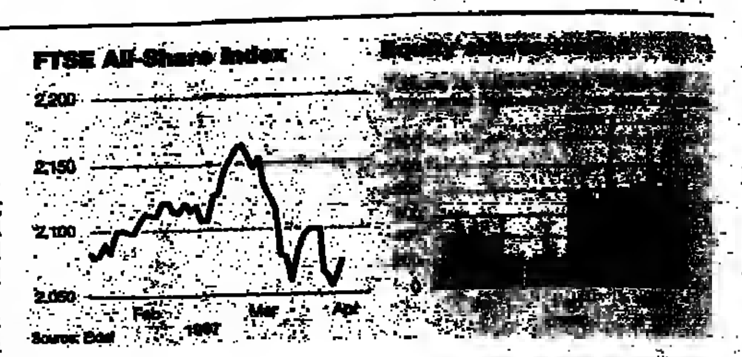
While Sunday newspapers generated some caution with comment about global crashes and the end of the cyclical bull run there was also talk of a "last market burrah".

Mr Robin Griffiths, HSBC James Capel's chartist, believes that although the cycle is drawing to a close an incoming Labour administration would have a golden period which will see Footsie spike up to 4,500 and "conceivably 4,600".

"Footsie has risen 50 per cent since January 1995. On average, a bull market lasts 32 monthe and we're getting there but I am expecting Blair to get a bit of a honeymoon period," he said.

Mr Bob Semple of NatWest Securities is even more optimistic. "Continued dividend growth, lower gilt yields by the year-end, high levels of liquidity and undemanding valuations will push the equity to new highs at the end of the year," he argues.

FTSE All-Share Index



Indices and ratios

FTSE 100	4271.7	+35.1	FT 30	2838.8	+21.4
FTSE 250	4518.4	+3.6	FTSE Non-Fins p/e	18.17	18.10
FTSE 350	2106.4	+14.0	FTSE 100 Fut Jun	4283.0	nc
FTSE All-Share	2077.88	+12.91	10 yr Gilt yield	7.66	7.71
FTSE All-Share yield	3.67	3.70	Long gilt/equity yld ratio	2.08	2.08

Best performing sectors

1 Banks:Retail .... +2.1
2 Gas Distribution .... +1.7
3 Pharmaceuticals .... +1.3
4 Engineering:Vehicles .... +1.1
5 Telecommunications .... +1.0

Worst performing sectors

1 Diversified Industrials .... -0.8
2 Tobacco .... -0.4
3 Building & Constn .... -0.4
4 Water .... -0.3
5 Distributers .... -0.3

Broker boost for S-Kline

By Joel Kibazo and Gary Mead

SmithKline Beecham was the best performer in the FTSE 100 after a broker voiced its enthusiasm for the stock. The shares jumped 35½ or 4.14 per cent to close at 893p after trade of 2.3m, following the Dresdner Kleinwort Benson recommendation.

Mr Stuart Harris, part of the pharmaceuticals team at DKB, believes the shares are "the most attractive stock in the sector. It is better value on fundamentals than Glaxo Wellcome or even Zeneca. On a 1998 view, it is not only cbeaper but has a superior growth rate than its rivals".

Sentiment was further boosted by sizeable overnight buying of drug stocks by US investors.

It was a day of mixed fortunes for Glaxo Wellcome. The comments from Kleinwort Benson weakened sentiment early on the session. Traders also had their first chance to reflect on Friday's news from the US where a court ruled in favour of Novopharm, a maker of the generic version of Zantac, Glaxo's ulcer drug.

Glaxo declined early in the session but ended the day losing just 4 to £10.86p after Goldman Sachs reiterated its buy stance. The US investment bank said the ruling was "exactly in line" with its expectations.

Meanwhile, Holliday Chemicals, which provides Novopharm with ranitidine – the active ingredient in the generic version of Zantac – rose 13 to 152p. It said it expected to be a "major beneficiary, including several million pounds extra profit in the current year" from the US legal victory by Novopharm. Holliday provides Novopharm with ranitidine, the active ingredient in the generic varsion of Zantac.

Buyers remained for Zeneca and the shares appreciated 22½ to £17.62½p after trade of 1.2m. Lubricants gronp Burmah Castrol was the toast of the market after it reported figures well ahead of the best expectations.

The group reported a 10 per cent rise in pre-exceptional net income to £148.7m, well ahead of forecasts in the region of £140m. The sbares gained 16¼ to £10.14p. Volume was 1.3m.

The group warned that the strength of sterling may hit earnings this year, leaving them around 9 per cent lower.

Nevertbeless, the market chose to focus on the figures and many analysts moved to recommend the stock. They included Ms Irene Himona at SGST who believes the stock to be undervalued. "The shares remain at a discount rating which should not be the case," sbe said. "This is a solid operation with good exposure to growth markets."

Elsewhere among the leaders. BP followed the market trend and closed 8 ahead at 878½p. Volume was 6m. Shell put on 4 to £10.37½p.

Among exploration and production stocks, NatWest Securities yesterday published a strategic review of the sector and said its analysis had led it to "turn more cautious on the sector". However, it said it will remain a buyer of Monnment which closed 1½ off at 88p and Hardy Oil half a penny better at 287½p.

Lasmo picked up 4½ to 223p. NatWest has shifted its recommendation to "hold" from "add" but points out that the stock is still one of the cheapest in the sector on an asset valne basis.

Engineering group Lucas-Varity was in demand as dividend buyers ensured that the shares put on 6½ to 204p, one of the best performing FTSE 100 stocks of the day in percentage terms.

The positive tone of the markat helped PowerGen recover from an early retreat. The ahares were down 15 in pre-trading following a report that the group had written to City analysts and highlighted expectations that profits for the year to March will be between £530m and £585m – at the low end of the range of forecasts.

The share price decline proved to be less dramatic after the market opened and the stock closed above the day's worst, 6½ off at 609½p.

Concerns about a windfall tax on utilities should the Labour party form the next government returned to haunt a couple of stocks and take the edge off last week's bounce. Among water issues, Thames found few supporters and the sbares trailed 11½ at 665p, while Severn Trent surrendered 5¼ to 702½p.

More than 10 per cent of the day's total volume was dealt in two stocks. Strong two-way bnsiness in National Grid brought turnover of 22m, as the shares eased ½ to 211½p.

British Steel was by far the most heavily traded individual stock. It saw volume of 52m, one of the highest daily totals ever recorded in the stock. Bears appeared to have gained the upper hand and at the close the shares were down 1¼ to 159½p.

Go-Ahead, the transport group, fell 14 to 488½p, with pressure from a study by a rail users' organisation saying the company was one of four set to face heavy losses on rail franchises.

The report said five out of the total 25 train operating companies, including Thameslink (owned by Go-Ahead) and three run by Prism – an AIM stock which fell 10 to 345p – would make losses whatever assumptions were used. Both companies said the report was based on false assumptions.

Food retailers and wholesalers were on the wbole static, with just a few gains showing for some stocks, including Kwik Save, up a penny to 302p, Park Food, up half a penny to 56p, and Safeway, also up a penny to 364½p. J. Sainsbury lost balf a penny to 333p, but the Shoprite group rose 3 to 33¼p. Marks and Spencer gained 2 to 494½p.

Among food producers, AB Food showed a gain of 3 on the day, to 529p. CPL Aromas lost 2½ at 97½p, but Cranswick put on 2 to 242½p. Geest lost a penny, to 257½p, and Hazlewood lost half a penny to 111½p. Linton Park gained 2½ to 410p. Northumbrian added 2 to 17¼p, and Unigate gained the same amount to 458½p. Sentry Farming gained 2½ to 135p, and Sims Food put on 3 to 35p. Among the rare losers in this sector was Tate & Lyle, down 1½ to 431½p.

Retailers were generally quiet, although Boots added a penny to 684p, Carpetright a half penny to 541p, and Dixons a penny to 547½p. French Connection gained 11 to 321p, and Oasis Stores 4, to 386½p. Tie Rack put on 2 to 189½p.

The brewing sector saw more activity but even there it was not a day of high drama. Bass gained 7 to 817½p, and Burtonwood put on 3½ to end at 183½p. Scottish & Newcastle gained 10 on the day, finishing at 674½p, while Whitbread put on 8½ to 772½p.

FT 30 INDEX

	Apr 7	Apr 4	Apr 3	Apr 2	Apr 1	Yr ago	*High	*Low
FT 30	2838.8	2817.4	2801.5	2813.1	2812.5	2795.1	2931.4	2668.3
Ord. div. yield	3.92	3.95	3.96	3.94	3.95	3.87	4.22	3.76
P/E ratio net	16.83	16.82	19.76	16.83	16.82	16.79	18.09	15.80
P/E ratio nil	16.76	19.65	16.59	16.66	16.65	16.54	17.37	15.71

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2827.0	2827.3	2835.6	2832.6	2832.6	2832.4	2833.1	2838.4	2837.5	2838.9	2828.3

	Apr 7	Apr 4	Apr 3	Apr 2	Apr 1	Yr ago
SEAQ bargains	53,704	62,661	66,629	87,774	57,809	38,757
Equity turnover (£m)†	-	NA	3140.7	3376.8	3159.6	2579.0
Equity bargains†	-	NA	66,117	68,678	38,169	36,466
Shares traded (ml)†	-	NA	722.7	747.0	697.1	871.8

†Excluding intra-market and overseas turnover but including Crest turnover.

	Apr 7	Apr 4	Apr 3	Apr 2	Apr 1	Yr ago	*High	*Low
FTSE AIM	1086.2	1086.9	1087.8	1087.8	1094.3	987.5	1140.4	965.7

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	819	Total Highs	32	Total contracts	27,492
Total Falls	412	Total Lows	46	Calls	10,968
Same	1,184			Puts	16,524

Apr 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4274.0	4295.0	+42.0	4308.0	4267.0	9793	61791
Sep	4309.0	4319.0	+43.0	4309.0	4309.0	10	2495

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4533.0	4533.0	+9.0	4533.0	4533.0	44	4939

FTSE 100 INDEX OPTION (LIFFE) (*4272) £10 per full index point

	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P
Apr	184	6	138	10½	94½	18	58½	32½	31½	58	14½	90	5½	133	1½	182
May	217½	32½	178½	43	141	56½	108	73	79	93½	56½	122½	37½	154½	23	192
Jun	252½	57½	214½	69	178	84	146½	101½	118	122	92	149	69	177½	52	211
Jul	276	67	241	82	205	97	172½	114½	146	138	117½	161	92	189	73½	220
Dec†	368	123½			303½	157			249½	192½			189½	241½		

Calls 2,714 Puts 3,226

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P
Apr	158	8	114½	13½	75	24	43½	42½	21	70	8½	107	3	151½	1	199½
May	195½	35½	157	46½	122½	61½	92	81	66	105	45½	134	29½	166	18	205½
Jun	229½	51½	193	74½	160	90½	129	109	101½	131	78½	157½	58½	187	42½	220½
Sep	293	104			225½	134			167½	173½			118	222		
Dec†	351½	126			285½	156			226	192½			124½	287		

Calls 4,708 Puts 5,603 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
§100	F.P.	75.1	103½	98½	†Avalon Oil	98½	-3	-	-	-	-
	F.P.	745.3	142½	124	Avis Europe	128	+1	N4.12	2.7	3.2	14.8
§	F.P.	6.33	44½	41½	†Bickerton	41½	-½	-	-	-	23.2
§600	F.P.	125.4	620	575	Cambridge Antibody	575	-7	-	-	-	-
§40	F.P.	13.2	65	55	†Charlton Athltc	60½		-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§	F.P.	55.3	335	290	Diagonal	298½	+3½	-	-	-	38.8
§	F.P.	10.9	72	70½	Donatantonio	72	+½	L2.25	1.7	3.9	13.2
§175	F.P.	51.2	183½	175	Harvey Nash	183½	+1	F4.0	-	2.7	-
§175	F.P.	25.5	212½	198	Heal's	209½	-1	L3.9	3.1	2.3	15.3
§100	F.P.	19.2	130½	117½	Helphire Group	117½		R0.8	5.1	0.9	14.4
§200	F.P.	69.4	308	289	London Bridge Sw	295½	-2	-	-	-	36.8
§	F.P.	13.4	68½	66½	M & G High Inc	66½	-1	W5.2	-	9.8	-
§	F.P.	20.4	102½	99½	M & G High Pckg	101	-½	W5.2	-	6.4	-
§135	F.P.	199.1	144½	135½	Newcastle Utd	139	+1½	u1.6	-	1.4	-
	F.P.	4.76	95	95	Oxford Tech Vent	95		-	-	-	-
§17	F.P.	4.82	50½	17½	Pathfinder Props	45	-5	-	-	-	-
§	F.P.	3.15	3	2½	†Prestbury Leisur	2½		L0.32	5.4	16.0	10.1
§	F.P.	19.4	122½	115½	†Q Group	116½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
	F.P.	22.4	147½	143½	Whitehead Mann	144½		§4.35	2.2	3.8	13.9
§	F.P.	-	177	177	Worldsec	177		-	-	-	-
§	F.P.	39.0	181	166	†World Telecom	181	+9½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 4	% chg on day	Apr 3	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1613.38	-0.3	1617.49	2296.91	2.96	-	2362.66	1613.38
Regional Indices								
Africa (14)	1898.48	+0.5	1886.95	3012.16	4.74	29.86	3197.52	1886.95
Australasia (6)	1854.12	-1.0	1872.37	2870.25	2.87	20.29	2844.14	1854.12
North America (12)	1507.55	-0.4	1514.02	2041.43	0.89	58.82	2134.81	1507.55

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 7	Day's chge%	Apr 4	Apr 3	Apr 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4271.7	+0.8	4236.9	4214.6	4236.6	3758.6	3.77	2.08	15.96	53.72	1809.31
FTSE 250	4518.4	+0.1	4514.8	4504.6	4507.3	4377.1	3.55	1.54	22.94	45.15	1870.40
FTSE 250 ex IT	4560.2	——	4558.8	4548.2	4549.1	4409.2	3.64	1.56	21.99	46.19	1892.51
FTSE 350	2106.4	+0.7	2092.4	2082.8	2091.7	1891.7	3.73	1.97	17.04	25.35	1621.86
FTSE 350 Higher Yield	2034.9	+0.5	2024.0	2010.8	2015.1	1835.2	4.84	1.85	13.96	29.29	1488.34
FTSE 350 Lower Yield	2184.3	+0.8	2166.9	2161.2	2175.0	1955.7	2.60	2.20	21.92	21.10	1549.07
FTSE SmallCap	2284.27	+0.1	2282.32	2279.92	2284.53	2109.70	3.04	1.67	24.88	18.90	1924.14
FTSE SmallCap ex IT	2298.84	——	2296.35	2294.02	2297.92	2094.58	3.23	1.74	22.26	18.69	1949.66
FTSE All-Share	2077.88	+0.6	2064.97	2056.07	2064.45	1869.86	3.67	1.95	17.46	24.39	1823.88

FTSE Actuaries Industry Sectors

	Apr 7	Day's chge%	Apr 4	Apr 3	Apr 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	3969.90	+0.6	3944.65	3987.78	4049.33	3422.20	3.75	2.15	15.51	30.55	1753.22
12 Extractive Industries(5)	4049.13	+0.1	4044.78	4016.58	4054.29	4269.21	3.86	2.38	13.57	96.06	1235.03
15 Oil, Integrated(3)	4066.40	+0.8	4032.73	4086.60	4149.07	3466.71	3.99	2.11	14.86	20.17	1840.36
19 Oil Exploration & Prod(12)	3485.45	-0.3	3494.91	3512.90	3597.51	2429.00	1.65	2.21	34.14	34.64	2115.04
20 GEN INDUSTRIALS(270)	1996.10	+0.2	1991.84	1983.49	1980.23	2099.14	3.99	1.88	15.71	22.48	1129.33
21 Building & Construction(35)	1334.25	-0.4	1339.39	1343.96	1338.68	1145.90	3.21	1.89	20.61	16.21	1153.09
22 Building Matls & Merchs(31)	1854.32	+0.1	1852.02	1847.47	1833.96	1870.81	4.31	2.76	10.49	16.96	968.69
23 Chemicals(26)	2271.81	+0.6	2257.20	2246.92	2240.80	2507.30	4.62	1.59	17.06	37.99	1121.05
24 Diversified Industrials(16)	1477.96	-0.6	1486.37	1474.63	1478.70	1772.21	4.88	1.80	14.16	27.90	870.41
25 Electronic & Elect Equip(38)	2225.24	+0.5	2214.28	2218.88	2220.01	2425.36	3.55	1.56	22.80	7.34	1185.71
26 Engineering(70)	2607.51	+0.2	2601.02	2582.62	2578.11	2421.40	3.24	2.45	15.80	21.75	1626.93
27 Engineering, Vehicles(13)	2874.86	+1.1	2844.97	2816.03	2805.46	2943.71	3.87	‡	‡	25.91	1531.85
28 Paper, Pckg & Printing(27)	2502.63	+0.3	2494.62	2488.70	2494.09	2779.27	4.17	1.88	15.90	37.43	1083.36
29 Textiles & Apparel(14)	1077.46	+0.6	1070.91	1069.92	1074.65	1490.08	5.90	0.96	19.61	7.37	686.39
30 CONSUMER GOODS(94)	4107.96	+0.6	4083.82	4086.94	4097.28	3478.74	3.68	1.93	18.58	72.87	1581.04
32 Alcoholic Beverages(7)	2887.70	+0.4	2876.82	2870.20	2888.12	2763.06	4.55	1.89	14.57	62.25	1093.13
33 Food Producers(25)	2843.29	-0.3	2851.20	2853.85	2873.99	2486.44	3.88	1.86	17.28	44.27	1338.41
34 Household Goods(17)	2837.28	——	2837.68	2837.77	2871.35	2596.82	3.64	2.31	14.86	49.63	1164.77
36 Health Care(15)	2173.86	+0.3	2166.50	2162.10	2160.77	1926.74	2.73	1.63	27.99	13.35	1351.29
37 Pharmaceuticals(18)	6407.37	+1.3	6326.41	6285.30	6354.65	4919.91	2.87	1.73	25.24	94.65	2245.90
38 Tobacco(2)	4324.06	-0.4	4343.12	4312.96	4290.85	4328.82	6.26	1.89	10.58	147.58	1151.01
40 SERVICES(273)	2618.07	+0.3	2611.46	2604.97	2609.66	2450.46	2.95	1.96	21.56	21.22	1399.56
41 Distributors(30)	2645.28	-0.3	2653.21	2631.86	2641.93	2763.12	3.46	1.94	18.61	29.19	1005.38
42 Leisure & Hotels(31)	3471.83	.....	3470.21	3437.81	3444.45	3082.55	2.62	1.74	27.37	56.19	1919.80
43 Media(44)	4224.63	+0.5	4204.47	4185.48	4200.51	4197.92	2.32	1.99	27.05	43.94	1583.30
44 Retailers, Food(15)	2000.15	+0.4	1992.19	1961.88	1984.95	1825.57	3.97	2.29	13.78	6.46	1306.55
45 Retailers, General(53)	2062.57	+0.3	2057.01	2054.78	2051.12	1996.52	3.22	2.04	19.04	13.34	1212.66
47 Breweries, Pubs & Rest.(22)	3298.00	+0.9	3269.89	3276.23	3281.19	3035.41	3.29	2.10	18.07	17.33	1626.99
48 Support Services(56)	2852.73	-0.2	2859.30	2858.35	2868.14	2212.57	1.85	2.59	26.10	8.26	1846.82
49 Transport(22)	2737.82	-0.1	2741.76	2749.97	2751.12	2405.90	3.55	1.26	27.93	27.12	1191.76
60 UTILITIES(32)	2700.12	+0.5	2683.35	2642.22	2652.58	2565.94	4.94	1.54	16.40	5.34	1227.12
62 Electricity(9)	2896.55	.....	2895.12	2845.28	2807.52	2806.51	5.88	2.22	9.80	22.08	1599.65
64 Gas Distribution(2)	1606.54	+1.7	1579.62	1532.52	1525.78	1594.40	7.59	‡	‡	0.00	879.06
66 Telecommunications(9)	2264.05	+1.0	2242.52	2217.49	2252.10	2170.99	3.67	1.70	20.00	0.36	1089.00
68 Water(12)	2462.12	-0.3	2470.66	2428.73	2422.03	2185.13	6.05	2.53	8.86	0.00	1424.01
69 NON-FINANCIALS(676)	2139.72	+0.4	2130.77	2123.72	2132.80	1995.36	3.70	1.96	18.17	21.43	1694.48
70 FINANCIALS(106)	3758.96	+1.4	3705.39	3673.74	3685.62	2849.12	3.61	2.36	13.88	72.46	1690.23
71 Banks, Retail(8)	5471.34	+2.1	5359.46	5294.18	5325.83	3959.87	3.66	2.55	12.92	122.52	1870.82
73 Insurance(16)	1637.75	+0.5	1629.42	1626.77	1620.65	1381.35	5.26	2.31	10.27	37.26	1296.39
74 Life Assurance(7)	4481.30	+0.4	4462.09	4432.37	4420.26	3597.84	3.91	2.11	15.13	84.00	1941.51
77 Other Financial(29)	2082.81	+0.3	3073.98	3064.64	3073.27	2562.49	3.38	1.91	19.40	27.85	1817.81
79 Property(44)	1854.18	+0.7	1841.70	1840.30	1842.44	1464.70	3.46	1.30	27.91	9.78	1178.11
80 INVESTMENT TRUSTS(127)	3228.30	+0.5	3212.55	3205.25	3219.67	3167.68	2.27	1.12	49.43	21.04	1150.65
89 FTSE All-Share(912)	2077.88	+0.6	2064.97	2056.07	2064.45	1869.86	3.67	1.95	17.46	24.39	1823.88
FTSE Fledgling	1294.91	+0.1	1293.93	1289.74	1288.41	1177.23	3.03	0.75	54.93	9.40	1387.64
FTSE Fledgling ex IT	1317.99	——	1317.48	1312.27	1309.94	1179.60	3.33	0.71	52.62	10.02	1415.09

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4255.3	4256.8	4268.9	4263.7	4263.8	4263.9	4264.0	4271.9	4272.1	4273.1	4254.8
FTSE 250	4512.7	4514.1	4516.6	4515.8	4515.5	4515.8	4515.8	4517.8	4518.4	4518.7	4512.1
FTSE 350	2099.5	2100.2	2105.2	2103.0	2103.1	2103.1	2103.2	2106.4	2106.6	2107.0	2099.4

Time of FTSE 100 Day's high: 3:33 PM Day's low: 8:47 AM. FTSE 100 1996/97 High: 4444.3 (11/03/97) Low: 4056.6 (10/01/97).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1248.2	1247.8	1247.6	1248.0	1247.8	1245.5	1244.7	1244.9	1244.7	1244.5	1251.6	-7.1
Pharmaceuticls	6290.9	6288.1	6305.6	6306.2	6303.9	6303.9	6303.9	6327.8	6331.8	6327.1	6245.9	+81.2
Water	2464.5	2466.4	2467.6	2466.2	2466.0	2466.0	2457.8	2455.0	2455.5	2455.7	2463.8	-8.1
Banks, Retail	5470.8	5462.2	5512.7	5498.9	5499.8	5500.0	5504.8	5522.0	5541.1	5541.2	5427.8	+113.3

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1510. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1997. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletions: Farringford, Mosaic Investments. Tomorrow: Leisure (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	295	508	+½
ASDA Group†	2,900	107½	+1
Abbey National†	3,700	780½	+18½
Airtours	6,600	940½	
Albert Fisher	1,200	44	-½
Allied Domecq†	1,200	448½	-1½
Anglian Water	175	638½	-4
Argos	468	675	-6½
Arjo Wiggins	1,600	190½	-1½
Assoc. Brit. Foods†	840	529	+3
Assoc. Brit. Ports	85	271½	
BAA†	593	507	+8
BAT Inds.†	7,100	517	-2½
BBA	403	358	+1½
BICC	62	212	+1½
BOC†	1,000	943	-½
BG†	16,500	178½	+6
BP†	6,100	878½	+8
BPB	860	329½	-3½
BSkyB†	3,500	609½	-6½
BT†	17,800	433	+4
BTR†	10,800	256	-4
Bank of Scotland†	4,000	332	+2
Barclays†	3,400	1053	+24
Bass†	1,100	817½	+7
Blue Circle†	345	406½	+1
Booker	210	328½	
Boots†	1,100	684	+1
Britannic	105	833½	
Brit. Aerospace†	1,700	1360	+9
British Airways†	2,900	641	+6½
British Biotech	490	245	-1½
British Energy	2,100	136½	+2½
British Land†	557	543½	+6½
British Steel†	52,300	159½	-1¼
Burmah Castrol†	1,300	1014	+16¼
Burton†	3,000	152¾	+1¼
Cable & Wire†	4,400	501½	+6½
Cadbury Schweppes†	3,200	534½	-1
Caradon	3,500	247½xd	+1½
Carlton Comms.†	2,200	518	+7
Centrica†	16,700	60¼	-1
Chubb	968	423	+½
Coats Viyella	863	134½	+1½
Comm. Union†	1,100	653	+3
Compass	818	683	+½
Cookson	1,700	218½	+1½
Courtaulds	732	349½	+½
Dalgety	85	344½	+4
De La Rue	452	531½	+10½
Dixons†	1,600	547½	+1
EMAP	153	760½	-7
EMI†	200	1156½	-½
Electrocomps	2,600	399½	+3
Energy Group†	1,600	501½	-5
Enterprise Oil†	1,700	620	
FKI	99	185	+2½
Foreign & Col. I.T.	685	151½	+1
Gen. Accident†	817	802½	+1½
General Elect.†	2,000	386	+2½
Glaxo Wellcome†	5,100	1086	-4
Glynwed	528	265½	-1
Granada†	3,500	915½	+1½
Grand Met.†	2,600	480	+3½
GUS†	1,400	638½	+1
Greenalls	101	530½	
GRE†	1,500	277½	+3½
GKN†	123	981½	+4
Guinness†	3,000	501	+2
HSBC (75p shs)†	1,900	1478	+29
Hammerson	88	431½	
Hanson†	1,500	280½	+6½
Harrisons Crosfield	188	127	+½
Hays†	1,000	529	-6½
Hillsdown	1,700	194½	+3½
Hyder	359	810½	+3
IMI	385	394½xd	+2
ICI†	1,900	714½	+14
Imperial Tobacco†	443	411	-½
Inchcape	2,700	257½xd	+1¼
Johnson Matthey	48	564½	+2
Kingfisher†	2,400	673½	+3½
Kwik Save	7	302	+1
Ladbroke†	667	226	+1½
Land Securities†	673	772½	+7
Laporte	610	670xd	+1¼
Legal & General†	1,800	392	+4
Lloyds TSB†	6,100	501	+9
LASMO†	7,000	223	+4½
Lonrho	1,200	137½	
LucasVarity†	7,800	204	+6½
MEPC	619	459½	+4
MFI	93	149	-1
Marks & Spencer†	3,100	494½	+2
Mercury Asset Man†	496	1203	+3½
Morrison (Wm.)	190	154½	+1
NFC	2,600	148½	-5
NatWest Bank†	3,800	702	+12½
National Grid†	22,400	211½	-½
National Power†	2,300	502½	-8
Next†	981	617½	+9½
Northern Foods	399	208	
Orange†	1,600	208½	-½
Pearson†	3,000	734xd	+3½
P & O†	5,000	617½xd	+4½
Pilkington	3,700	119½	-1½
PowerGen†	2,300	609½	-6½
Premier Farnell	190	469	-1
Provident Financial	551	595	+6½
Prudential†	2,000	563½	+5
REXAM	180	333	-½
RMC†	275	966	+17½
RTZ†	2,000	955½	-3
Racal	699	281	-1
Railtrack†	951	423½	-3½
Rank Group†	3,100	449	+1½
Reckitt & Colman†	2,800	789½	-½
Redland	207	360	+2½
Reed Intl.†	579	1124	+15
Rentokil Initial†	2,200	405½	+1½
Reuters†	2,800	600½	+12
Rolls Royce†	6,100	244	-1
Royal & Sun Alliance†	1,200	443½	+1
Royal Bk Scotland†	2,300	537	+13½
Safeway†	1,900	364½	+1
Sainsbury†	1,600	333	-½
Schroders†	707	1562½	+16
Scottish & New.†	852	674½	+10
Scot. Hydro-Elect.	1,400	373	+5
Scottish Power†	4,600	360	+4
Sears	2,800	76½	
Securicor	394	295½	+½
Sedgwick	2,200	121	-½
Severn Trent†	1,400	702½	-5¼
Shell Transport†	3,000	1037½	+4
Siebe†	1,100	997½	+11
Slough Ests	685	284½	+13
Smith (W.H.)	619	467	+8
Smith & Nephew†	2,600	174	+1
SmKl Beecham†	2,500	893	+35½
Smiths Inds.†	1,900	792	
Southern Elect	2,000	102	+6
South West Water	187	677½	+2
Stagecoach	226	846	-2½
Standard Chard.†	1,000	840	+14
Storehouse	595	236½	-½
T&N	1,300	147½	-3
TI Group†	262	586	+4½
Tarmac	5,000	104	
Tate & Lyle†	776	431½	-1½
Taylor Woodrow	305	185½xd	+¼
TeleWest Comms	73	104	
Tesco†	4,600	352½	+2½
Thames Water†	766	665	-11½
Thorn	4,100	155½	-4
Tomkins†	2,600	278	+1
Unigate	448	458½	+2
Unilever†	3,900	1522½xd	+5¼
United Biscuits	138	228½	
Utd. News & Media†	1,800	735	+10½
United Utilities†	1,000	635½	+2
Vodafone†	5,000	278	+5
WPP	723	249½	+4
Wessex Water	103	378	-3½
Whitbread†	1,000	772½	+8½
Williams Hldgs.	551	315½	
Willis Corroon	481	153½	+4
Wimpey	31	140	
Wolseley†	359	486½	+6
Yorkshire Elect	55	924	
Yorkshire Water	675	362½	+2½
Zeneca†	1,200	1762½	+22½

Based on trading volumes for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

US INDICES

	Apr 4	Apr 3	Apr 2	High	Low	High	Low
Composite‡	757.90	750.32	750.11	816.29 (18/2)	737.01 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials	889.86	879.51	880.51	950.86 (18/2)	866.92 (2/1)	950.86 (18/2/97)	3.52 (30/6/32)
Financial	85.48	85.11	84.30	97.26 (10/3)	80.70 (2/1)	97.26 (10/3/97)	7.15 (4/8/74)
NYSE Comp.	398.02	394.40	395.37	427.70 (10/3)	390.53 (2/1)	427.70 (10/3/97)	4.84 (25/4/42)
Amex Comp.	558.73	557.82	561.19	603.63 (10/3)	556.73 (4/4)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1236.73	1213.76	1201.00	1380.06 (22/1)	1201.00 (2/4)	1380.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 4	Mar 21	Mar 14	Year ago
Dow Jones Ind. Div. Yield	1.97	1.89	1.95	2.11
	Apr 2	Mar 26	Mar 19	Year ago
S & P Ind. Div. yield	1.86	1.77	1.78	1.86
S & P Ind. P/E ratio	21.45	22.54	22.38	21.43

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Office Dpt	25,967,400	13	−6⅛
Checkpoint	10,923,200	10	−7¼
Micron	6,768,000	30½	−⅛
LSI Logic	6,270,400	38¾	+2
IBM	6,247,900	129¼	−2¼
Columbia HCA	4,458,900	33¾	+⅛
WalMart	4,090,700	27⅞	+⅛
H Packard	3,988,300	52⅝	+2⅛
Seagate Tch	3,876,100	50⅝	+2⅝
Natl Semi	3,659,200	29⅝	+2

■ TRADING ACTIVITY

● Volume (million)

	Apr 4	Apr 3	Apr 2
New York SE	537.236	488.271	472.203
Amex	21.113	16.076	20.866
NASDAQ	677.837	590.071	592.051
NYSE			
Issues Traded	3,292	3,275	3,298
Rises	7,417	895	817
Falls	7,053	1,557	1,711
Unchanged	822	823	770
New Highs	33	22	23
New Lows	94	104	97

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, April 7, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	15.3m	359	
Nippon Credit Bk	13.0m	161	-29
Nomura Secs	6.7m	1260	-70
Nikko Secs	5.5m	616	-39
Kyotaru	5.4m	7	-12
The Daiei Inc	4.9m	554	+21
Mitsubishi Hvy	4.4m	812	-3
Sakura Bank	4.1m	650	-39
NEC Corp	3.9m	1480	+10
Sumitomo Bank	3.9m	1360	-70

4 pm close April 7

NEW YORK STOCK EXCHANGE PRICES

1997 High	1997 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
30½	24¼	AAR	0.46	1.6	25	1216	30	29⅞	29⅞	
43	33¼	AMP	1.04	3.0	28	5850	34⅝	34¼	34⅝	+⅛
86⅞	78¼	AMR			6	5779	86⅞	85⅜	86⅝	+¼
37⅝	33¼	ASA	1.20	3.6	22	247	33⅝	33⅜	33⅝	-⅛
60½	49¾	AbbtL	1.08	1.9	25	4206	27⅝	50	56¼	-⅞
17½	14¼	Abitibi Pr	0.45	2.8	7	840	14⅝	d14¼	14¼	
19¾	17⅝	ABM Ind	0.40	2.2	18	46	17⅞	17⅝	17⅞	-¼
23	18¼	Acptacstn			9	112	10⅛	16⅜	18⅜	+⅛
66⅜	56⅛	ACE Ltd x	0.72	1.2	10	4959	62⅛	61	61⅛	-1⅛
10¾	10⅞	ACM Gvt In x	0.90	8.8	11	279	10¼	d10	10¼	+¼
7⅝	7	ACM GvOpp x	0.63	8.5		230	7½	7⅜	7⅜	
9⅞	0¼	ACM Man x	0.80	9.5		224	9⅝	0½	8½	
10⅜	8½	Acme Elect				24	8⅜	d8¼	8⅜	
28	14⅝	Acme Mills			64	8	15	14⅞	14⅞	
33	27¼	Acordia	0.66	2.5	15	15	25	31⅞	32	+⅛
29¾	21¼	Acxiom				1707	23	22½	22⅞	+⅛
21	19⅜	Adams Expr	0.55	2.7	1	608	20⅛	20	29¼	+⅛
48½	24⅞	AdvMic				29521	41⅛	40½	41¼	+1⅝
15	10⅜	Advest Grp x			0	392	13¼	12¼	13⅛	+1¼
14⅝	11⅝	Advo Inc			27	288	12¼	12	12	-⅛
73⅝	61⅛	Aegon	1.18	1.8	10	1397	66½	65¾	66⅛	+⅛
5⅛	3¼	Aerflx				290	3⅜	d3¼	3⅜	
67⅝	48	AES Corp				20	59⅛	50⅛	50⅛	
93⅞	73	Aetna	0.80	0.9	62	3052	88⅞	85½	56½	-¼
43⅛	37½	Aflac	0.40	1.8	14	830	40¼	40	40¼	+¼
21⅝	18⅜	AGL Res	1.08	5.5	14	759	19½	19	19½	+⅛
45¼	22	Ahmson	0.88	2.2	30	4454	35¾	35⅜	35½	+⅛
77⅝	66⅜	AirPrC x	1.10	1.6	17	1482	67⅛	65⅝	67⅛	+¼
21⅛	22¾	Airbrne Frt	0.30	0.9	23	4433	u33⅛	31¾	33	+1¼
24½	18⅜	Airgas			28	1782	18¼	17⅝	17¾	+⅝

- B -

- C -

- D -

- E -

- F -

- G -

- H -

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- J -

- K -

- L -

- M -

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- P - Q -

- R -

- S -

Continued on next page

NYSE PRICES

4 pm close April 7

Continued from previous page

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

Certain changes published in today's NYSE listings are based on Composite closing prices April X

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NASDAQ NATIONAL MARKET

4 pm close April 7

AMEX PRICES

4 pm close April 7

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$8		1000	8.25	8	Esprit Telecom ADS	US$9.75		2000	12.5	9.75
Artwork Systems	US$10.5		4960	11.375	10.25	Innogenetics	US$12.125		4800	12.625	10.5
Chemunex	FFr17.5		25000	19	17	Mercer Internat	US$9.5		6	11.375	6
Dr Solomon's ADS	US$23.125		0	26	20.875	PixTech	US$4.75		0	6.25	4.375

Prices for 7/4/97. Please note that trading prices are currently used to calculate highs and lows.

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FINANCIAL TIMES Tuesday April 8 1997

Equities rise as long bond yields dip

AMERICAS

A bit of optimism returned to the US equity market as both the bond and currency markets moved higher, *writes Lisa Bransten in New York.*

At 1pm, the Dow Jones Industrial Average was up 46.46 at 6,572.53 and the more broadly traded Standard & Poor's 500 climbed 5.06 at 762.96. Volume on the NYSE was heavy at 254m shares.

Technology shares also bounced up after the sharp weaknees seeo since the middle of February. The technology-rich Nasdaq composite added 18.35 or 1.5 per cent at 1,255.08 and the Pacific Stock Exchange technology index was 1.6 per cent stronger.

An uptick in the bond market gave some support to equities. The benchmark 30-year Treasury bond climbed ⅜ to 94¼, sending the yield down to 7.082 per cent. But traders said activity in the market was likely to be choppy over the next several weeks as investors watched for eigns of inflationary pressures in the ecooomy.

In individual shares, Alex Brown surged $10¼ or 19 per cent at $63⅜ on news that Bankers Trust had agreed to huy the Baltimore-based brokerage for about $66.60 per share. Shares in Alex Brown had jumped $11¾ last Thursday and Friday as news of a potential merger leaked out. Shares in Bankers Trust fell $2 to $80¼.

The move led to sharp gains among other smaller brokerages and investment banks that were considered possible acquisition targets. Hambrecht & Quist added $2⅝ or 15 per cent at $20¼, AG Edwards climbed $3½ or 10 per cent to $37, Raymond James jumped $2⅝ to $23½ and Legg Mason was $4⅛ or 9 per cent stronger at 49⅛.

America Online shed $4⅝ or 9 per cent to $44⅝ on continued speculation that it might acquire CompuServe. Shares in CompuServe elipped $1⅝ or 12 per cent to $12 oo fears that AOL might pay less than some had earlier guessed.

CompuServe had surged almost 50 per cent to $13⅝ hy the end of last week amid epeculation about an acquisition.

TORONTO tracked the positive start on Wall Street, with banks and conglomerates pushing ahead strongly. At noon, the 300 composite index was up 24.61 at 5,841.90.

Royal Bank of Canada rose 50 cents to C$54.45 in good two-way trade throughout the morning and Toronto-Dominion Bank gained 70 cents to C$36.20. Among technology etocks, Newbridge Networks put on 75 cents to C$41.20.

Dull bese metal prices pushed Alcan Aluminium lower. The shares eased 55 cents to C$45.15. Bre-X Minerals, the troubled exploration group, also fell back, dipping 65 cents to C$2.53.

Dow, $, bonds combine as bourses soar

EUROPE

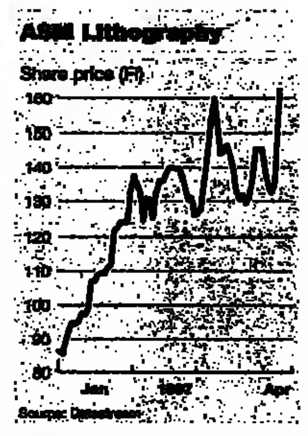
Bourses moved from uneasy equilibrium late last Friday to gains of over 2 per cent, and sometimes 3 per cent, yesterday. The Dow, which had turned from loss to gain in the American Friday afternoon, opened the new week in fine form.

The dollar zoomed, reflecting the view that US interest rates would soon go np again. Exporters got a kick from that; a key export sector, carmakers, also saw Spain bring in car market subsidies; and tech stocks had added lift from Friday's transatlantic rally.

Bonds were strong, too, and professionals were seen covering their short positions after a 3.3 per cent drop in European equities last week. However, thera was also an apparent lack of institutional buying volume, often an adjunct to a spike in professional activity.

FRANKFURT put on 3.3 per cent in a day after last week's 5.1 per cent loss, the Dax index climbing 107.42 to an Ibis-indicated 3,342.77. But turnover stayed low, and virtually flat at DM10.4bn, against DM10.2bn, as professionals talked of short covering.

Carmakers were the lead sector, with Porsche prefs,



Daimler, BMW and Volkswagen all figuring in the top ten Ibis stocks. Daimler put on DM6.10 or 4.9 per cent at DM129.95; hut this followed a decline of over 10 per cent in the four trading days to last Thursday; Porsche's 5.3 per cent gain, DM95 to 1,895, followed a 12.4 per cent drop since March 11, but a 55 per cent leap in the six weeks before that.

BASF led chemicals with a 4.4 per cent gain in a follow through from last Thursdays's positive analysts' meeting; Deutsche Telekom, catching up from post-flotation underperformance, put on DM1.93 or 5.4 per cent at DM37.73; and prefs in SAP,the software leader, picked up on a combination of the tech stocks rally and the dollar, with a rise of DM14 at DM284.

AMSTERDAM pushed ahead strongly, lifting the AEX index by 19.16 or 2.7 per cent to 727.59. Philips, the market bellwether, jumped Fl 4.20 or 5 per cent to Fl 87.70 in 1.8m shares traded.

Upbeat bonds got behind financials with Fortis Amev rising Fl 3.00 or 4.4 per cent to Fl 70.50 and ING adding Fl 2.80 to Fl 73.40, helped by brokers upgrades. Lanschot moved to outperform and Stroeve lifted earnings estimates.

KLM reacted to upbeat traffic figures for March with a rise of Fl 2.40 or 4.4 per cent to Fl 56.40. Stork gained Fl 2.90 to Fl 79.90 after its Fokker rescue talks were said to have hit "problems".

Among second liners, ASM Lithography shot forward Fl 27.00 to Fl 162 in the wake of technology stock strength on Wall Street.

PARIS tracked early gains for the dollar and Wall Street. Up nearly 70 points at one stage, the CAC 40 index finished with a 54.34 or 2.2 per cent improvement at 2,572.31.

Renault, a strong market on Friday, rose a further 5.5 per cent following news of government subsidies for Spanish car buyers. Spain accounts for some 8 per cent of group turnover.

The shares, which stood at FFr157.90 earlier this year, jumped FFr7.20 to FFr139, although volume was modest. Tha day'e strongest dollar-driven stock was L'Oreal, up FFr66 at FFr1,900.

The Thomson-CSF takeover saga continued to excite interest. Alcaltel Alsthom gained FFr16 to FFr663 and Lagadère rose FFr6.80 to FFr177.2. CSF itself trailed the market as a whole, adding FFr2.70 to FFr189.20.

Eridania Begin Say was visibly out of step, sliding FFr39 or 4.3 per cent to FFr871 following the food group's weak 1966 profits and cautious view of trading prospects for the current year.

MILAN ended with the Mibtel real-tima index 249 higher at 11,932. Stet advanced L351 to L7,780 and Fita was also in demand, rising L118 to L5,365 ahead of the release of March car registration figures on Thursday.

Montedison took a bit of a mauling. The shares clawed back to close on the upside with a L6 gain to L1,084, having fallen during the morning session.

ZURICH saw impressive gains in chemicals and pharmaceuticals as the SMI index rose 116.5 or 2.6 per cent to 4,588.0. Clariant, the speciality chemicals group whose 1996 results were received favourably on Friday, soared nearly 7 per cent, ending SFr48 higher at SFr742.

Swissair soared SFr56 or 4.6 per cent to SFr1,285. The company's parent reported a 1996 net loss of nearly SFr500 after hours last Friday but analysts, on reflection, liked the look of the airline's operating results.

MADRID focused on Repsol as privatisation began in the Spanish state's last 10 per cent stake in the oil major. The shares rose Pta120 to Pta5,980 as the period for provisional share orders opened.

The general index closed 10.28 or 2.2 per cent higher at 476.35. A senior outperformer was Telefónica, up Pta90 to Pta3,890, following last week's weakness and in advance of expected news of a US partner.

OSLO enjoyed an [illegible] and tech stocks [illegible] the total index closed [illegible] or 2.75 per cent higher at 1,063.34.

Norsk Hydro, the [illegible] active stock, [illegible] NKr11.50 at NKr[illegible] Aker, the holding company rose NKr8 to NKr180 after its subsidiary, Aukra, won a NKr250m-NKr300m shipbuilding contract.

HELSINKI added hopes of pulp price increases and a new Goldman Sachs buy recommendation for Nokia to the day'e existing recipe, and tha Hex index closed 87.51 or 3.2 per cent higher at 2,821.86.

Nokia A rose FM20 or 7.1 per cent to FM301 while, in forestries, UPM-Kymmene climbed FM6 to FM111.

Written and edited by William Cochrane and Jeffrey Brown

FTSE Actuaries Share Indices

Apr 7							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2128.58	2129.04	2129.69	2130.81	2131.85	2133.07	2135.10	2135.34
FTSE Eurotrack 200	2157.04	2157.18	2158.98	2159.43	2160.39	2168.35	2182.53	2184.76

	Apr 4	Apr 3	Apr 2	Apr 1	Mar 27
FTSE Eurotrack 100	2100.19	2095.44	2117.29	2121.15	2168.51
FTSE Eurotrack 200	2130.73	2125.31	2143.36	2145.26	2204.96

Base value 1000 (26/10/90); High/day: 100 - 2135.78; 200 - 2186.74 Low/day: 100 - 2128.83 200 - 2168.85. † Partial.

Financial sector fears take Manila down again

ASIA PACIFIC

Worries ehout an over-extended financial sector pushed MANILA lower for the sixth etraight session and sent the main composite index crashing through its 3,000 support level.

"Property and finance stocks took a beating but the whola market came in for punishment," said one broker. Losers led gainers hy 133 to 17. The composite index ended off 69.63 or 2.3 per cent at 2,990.96.

Traders said foreign selling did most of the damage. Worries about the property and banking sectors were exacerbated by political uncertainty, given the lack of a clear successor to president Fidel Ramos in next year's elections.

TOKYO continued to slide as heavy selling of financial and construction issues ontweighed solid performances by blue-chip exporters, *writes Gwen Robinson.*

The Nikkei 225 average fell 144.92 to 17,715.67 after moving between 17,663.77 and 17,990.80. Investors stepped up selling of domestic demand-oriented stocks, particularly construction and financial issues.

Banks and eecuritiee houses had suffered recent heavy selling on concerns about their bad-loan problems and falling profitability and on the unwinding of cross-shareholdings in the financial sector.

Analysts said the government'e plans for sweeping deregulation were rapidly eroding the traditional system in which financial institutions held shares in each other to preserve good relations. The salling of snch cross-shareholdings had accelerated since the March 31 business year-end.

Volume fell from 462m shares to an estimated 410m. Declines overwhelmad sdvances 923 to 192 with 122 unchanged. The Topix index of all first-section stocks shed 14.99 to 1,354.83 and the capital-weighted Nikkei 300 was off 1.99 at 262.24. In London, the ISE/Nikkei 50 index rose 3.52 to 1,447.86.

More than 380 issues marked new lows since the start of the year, and tha securities house sector fell nearly 6.5 per cent. Nomura Securities continued to reflect the widening scandal over its illegal trading activities, losing Y70 to Y1,260 on selling by foreign investors. Nikko Securities shed Y39 to Y616 and Yamaichi Securities Y22 at Y313.

Nippon Credit Bank, which had been falling steadily since its recent announcement of a radical restructuring plan, plunged to Y29 to Y161, a new low for the year. Industrial Bank of Japan, recently named by authorities as one of tha potential main contributors to NCB'a capital increase plan, fell Y40 to Y1,200 after dropping briefly below the Y1,200 line for the first time since April 1992.

Blue-chip exporters, however, advanced on the dollar's climb toward Y125 and the boost it would give to overseas earnings. Bridgestone rose Y60 to Y2,490; in carmakers, Honda jumped Y160 to Y3,850 and Toyota Y120 to Y3,280; whila in blue-chip electricals, Sony added Y40 to Y8,980 and Pioneer Y40 to Y2,180.

Nippon Steel, the day'e most active issue, added Y5 to Y364.

In Osaka, the OSE everage fell 179.05 to 19,010.15 and volume rose to 20.3m shares.

BOMBAY contemplated the Indian political crisis, Friday's confidence vote against the 10-month old United Front minority government and today's public holiday; uncertainty bred caution, and the BSE 30 index fell 29.74 to 3,520.63.

The Congress Party, which provoked the crisis by withdrawing its support from tha United Front on March 30, launched a scathing attack on the prime minister, Mr H D Deve Gowda, over the weekend; reports thet the opposition Bharatiya Janata Party might vote against the government thickened the political fog.

KARACHI began weak on individual selling ahead of settlement today, and closed weaker on rumours that tha government planned a devaluation of the rupee against the dollar.

The KSE 100 index fell 21.32 or 1.3 per cent to 1,589.98, brokers saying that past devaluations had not helped Pakistan to boost its export business.

TAIPEI surged in heavy volume as investors focused on bank shareholding liberalisation and the prospect of new capital entering the market. The weighted index jumped 150.13 or 1.8 per cent to 8,517.70, just shy of its March peak. Turnover was T$185bn.

Electronics had the best of tha session. United Microelectronics rose the daily 7 per cent limit to T$61.5. Taiwan Semiconductor was also limit up at T$78.

SEOUL continued to gain ground, with the composite index adding 7.48 to 694.90 for a two-session advance of more than 2 per cent. POSCO gained 1,500 won to 53,800 and Samsung Electronics 1,800 won to 63,800.

HONG KONG was relatively cautious about US interest rate prospects, uncertainty focusing on the size of expected rate rises.

Tha Hang Sang index closed 83.25 higher at 12,287.84 and turnover was thin at HK$5.04bn. The properties sub-index closed up 125.47 at 21,911.97, with Henderson Land up 75 cents at HK$62.50 in 2.4m shares.

SYDNEY waited for the Wallis report on Australian financial system, a rally on Wall Street's Friday afternoon performance petered out, and the All Ordinaries index closed down 8.5 at 2,366.0 after a high of 2,384.7.

The banks index closed 8.0 lower at 4,056.8 with the takeover target, Bank of Melbourne, losing 9 cents at A$9.38 and its suitor, Westpac, down a cent at A$8.82.

Sao Paulo still buzzing

Telecoms fever continued to buoy SAO PAULO where the Bovespa index, up more than 4 per cent on Friday, ended the morning session 214 or 2.2 per cent higher at 9,919.

Last week's news of a rise for phona charges kept the telecoms sector active and the positive buzz also gained from a move by tha communications ministry to put out to tender B band cellular service concessions. There was talk that the government could shortly announce increases in power company tariffs.

SANTIAGO opened firm on talk of a decline for local money market rates plus predictions of strong earnings during the first quarter results season.

At midsession, the IPSA index was up 0.86 at 116.93.

South Africa ends stronger

Shares in Johannesburg continned to gain ground, boosted mostly by the better undertone on Wall Street. At the close, the all-share index was 58.9 higher at 7,074.7 for a two-session advance of more than 90 points.

The upturn again took in both industrials and golds, with the former index adding 46.5 to 8,285.6. Amic rose R1.50 to R179 and Sasol 75 cents to R49.50.

An improving bullion price helped lift the golds index by 16.4 to 1,307.9.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1997	Start of 1997	Start of 1997
Austria	-2.93	-4.18	+11.73	+3.80	-0.49	-4.81
Belgium	-2.46	-4.14	+25.56	+11.04	+6.56	+2.16
Denmark	-3.43	-5.83	+32.64	+6.02	+5.18	+0.84
Finland	-4.29	-9.55	+52.00	+6.74	+4.24	-0.07
France	-4.84	-6.50	+22.20	+8.89	+4.67	+0.35
Germany	-4.87	-3.55	+28.42	+12.56	+7.98	+3.51
Ireland	-1.38	-3.54	+21.91	+6.49	+3.42	-0.86
Italy	-0.67	-4.61	+23.16	+12.05	+7.17	+2.75
Netherlands	-4.68	-6.80	+31.45	+8.65	+4.15	-0.18
Norway	-3.44	-5.58	+30.33	+5.88	+3.74	-0.55
Spain	-3.33	-2.99	+39.33	+4.99	+0.67	-3.48
Sweden	-5.22	-5.78	+42.30	+10.66	+3.75	-0.54
Switzerland	-3.93	-3.29	+22.80	+13.36	+10.90	+6.31
UK	-1.72	-4.23	+11.20	+2.36	+2.36	-1.88
EUROPE	-3.27	-4.66	+21.47	+7.38	+4.69	+0.36
Australia	-1.92	-1.78	+6.51	-1.24	+0.68	-3.48
Hong Kong	-2.41	-8.48	+1.66	-12.11	-8.48	-12.26
Indonesia	-3.72	-7.18	n.a.	-0.28	+2.23	-2.00
Japan	-0.52	+0.93	-15.03	-6.40	-8.71	-12.48
Malaysia	-8.27	-11.35	+0.08	-7.43	-1.92	-5.97
New Zealand	-0.43	-3.11	+1.49	-6.41	-4.60	-8.54
Philippines	-5.27	-8.25	n.a.	-8.85	-5.15	-9.08
Singapore	+0.24	-5.65	-9.29	-3.79	-2.30	-6.34
Thailand	+5.50	+12.04	-53.18	-10.21	-7.58	-11.41
Canada	-1.98	-7.52	+18.20	-2.09	+0.71	-3.46
USA	-2.13	-5.98	+14.96	+1.91	+8.31	+1.81
Brazil	+2.94	+2.01	+69.53	+31.02	+34.21	+28.67
Mexico	-2.00	-1.71	+18.24	+10.66	+14.08	+6.35
South Africa	-0.70	-0.71	+4.18	+6.24	+17.46	+12.60
WORLD INDEX	-2.21	-4.54	+9.30	+1.40	+2.74	-1.51

† Based on April 4th 1997.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY APRIL 4 1997								THURSDAY APRIL 3 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	214.18	0.0	193.57	168.06	186.60	183.50	0.5	4.14	214.21	193.50	166.22	185.79	182.65	225.77	186.44	198.78
Austria (24)	181.18	-0.7	163.73	142.15	157.83	157.78	-0.2	1.85	182.43	164.80	141.85	158.23	158.17	195.04	174.70	183.71
Belgium (26)	232.81	0.0	210.23	182.53	202.66	198.05	0.3	3.59	232.68	210.19	180.55	201.61	197.49	241.54	205.89	210.22
Brazil (30)	244.04	3.5	220.56	191.48	212.62	475.31	3.5	1.07	235.91	213.11	183.05	204.61	459.26	247.23	149.69	184.32
Canada (114)	183.28	-0.3	165.65	143.62	159.68	184.50	-0.1	2.11	183.90	166.12	142.70	159.50	184.73	203.31	154.12	158.57
Denmark (32)	354.93	0.2	320.79	278.50	309.22	307.88	0.4	1.63	354.29	320.04	274.91	307.29	306.63	376.98	291.89	298.57
Finland (28)	245.46	-0.7	221.86	192.82	213.87	258.36	-0.4	1.77	247.21	223.32	191.83	214.42	259.44	268.58	174.47	174.77
France (91)	214.81	-0.2	194.14	168.56	187.15	190.09	0.1	2.82	215.32	194.50	167.07	186.75	189.62	226.25	186.94	196.63
Germany (59)	196.68	0.4	177.74	154.31	171.34	171.34	0.3	1.65	195.89	176.95	152.00	169.90	169.90	207.65	164.47	173.34
Hong Kong (66)	444.89	1.1	402.08	349.08	387.60	442.58	1.1	3.42	439.95	397.42	341.38	381.58	437.59	514.49	407.55	438.53
Indonesia (27)	223.62	-0.3	202.11	175.47	194.83	329.79	-0.4	1.62	224.36	202.67	174.09	194.59	331.01	–	–	–
Ireland (16)	326.03	0.1	294.86	255.63	284.05	291.53	0.3	3.29	325.53	294.06	252.59	282.34	290.67	343.35	264.44	267.36
Italy (59)	85.79	0.8	77.53	67.31	74.74	108.23	0.8	2.18	85.30	77.05	66.19	73.98	105.45	96.32	73.19	74.03
Japan (485)	112.96	-1.9	102.08	88.64	98.41	88.64	-0.8	0.88	115.16	104.03	89.36	99.88	89.36	154.68	109.16	154.24
Malaysia (107)	567.18	-1.8	512.60	445.05	494.14	543.15	-1.6	1.19	576.49	520.77	447.33	500.01	551.80	680.85	512.47	556.96
Mexico (27)	1333.84	0.0	1205.50	1046.63	1162.09	11617.97	0.1	1.16	1333.38	1204.49	1034.63	1156.48	11600.84	1445.68	1110.36	1214.05
Netherland (19)	335.62	0.1	303.33	263.35	292.40	288.34	0.4	2.69	336.16	302.76	260.07	290.69	287.06	357.16	279.86	290.52
New Zealand (14)	83.93	-0.5	75.85	65.85	73.12	64.55	-0.2	4.40	84.38	76.22	65.47	73.16	64.66	96.60	75.94	81.65
Norway (41)	293.93	-0.1	265.65	230.64	256.08	271.21	0.0	2.26	294.22	265.78	228.30	255.18	271.11	321.23	238.82	239.11
Philippines (22)	185.15	-2.2	167.34	145.29	161.31	243.28	-2.2	0.72	189.32	171.02	146.90	164.20	248.65	–	–	–
Singapore (43)	393.21	-0.1	355.38	308.54	342.58	260.37	0.1	1.05	393.64	355.59	306.45	341.42	260.22	449.16	371.26	443.67
South Africa (44)	358.56	1.0	324.06	281.35	312.38	345.88	0.8	2.42	355.11	320.79	275.55	308.00	342.79	391.77	301.49	369.09
Spain (35)	212.13	0.8	191.72	166.45	184.82	227.39	1.1	2.76	210.35	190.02	163.22	182.44	224.97	226.18	171.06	174.03
Sweden (48)	419.82	-0.1	379.24	329.26	365.58	471.86	0.1	2.21	419.92	379.33	325.84	364.21	471.64	448.64	334.04	338.61
Switzerland (38)	253.62	0.2	229.22	199.01	220.96	225.14	0.1	1.45	253.01	228.55	196.32	219.44	224.93	262.41	229.26	247.18
Thailand (43)	84.87	1.8	76.71	66.60	73.94	85.60	1.8	3.65	83.50	75.43	64.79	72.42	84.10	186.68	78.98	166.66
United Kingdom (211)	277.85	0.4	251.12	218.02	242.07	251.12	0.5	3.91	276.69	249.95	214.70	239.98	249.95	285.30	228.65	232.65
USA (653)	307.60	1.0	278.01	241.37	267.93	307.60	1.0	1.96	304.46	275.03	236.25	264.07	304.46	331.64	254.79	267.57
Americas (824)	281.64	1.0	254.54	220.99	245.37	237.22	1.0	1.95	278.88	251.92	216.39	241.88	234.86	308.45	238.09	244.17
Europe (726)	240.51	0.3	217.37	188.72	209.54	219.55	0.4	2.83	239.86	218.70	185.14	208.06	218.60	248.97	204.71	208.80
Nordic (150)	361.82	-0.1	327.01	283.91	315.23	349.46	0.0	2.06	362.26	327.26	281.11	314.22	349.31	385.85	296.64	288.50
Pacific Basin (883)	131.82	-1.4	119.13	103.43	114.84	102.17	-0.8	1.42	133.70	120.77	103.74	115.96	102.74	177.01	131.60	167.64
Euro-Pacific (1609)	177.13	-0.5	160.09	138.99	154.32	145.49	0.0	2.21	177.98	160.78	138.11	154.37	145.48	191.51	176.79	184.66
North America (767)	299.99	1.0	271.12	235.39	261.35	299.46	1.0	1.87	297.11	268.39	230.55	257.69	296.57	323.69	248.65	260.83
Europe Ex. UK (515)	215.22	0.2	194.51	168.88	187.51	197.86	0.4	2.21	214.86	194.09	166.72	186.36	197.04	224.70	185.85	190.67
Pacific Ex. Japan (396)	280.48	0.1	262.53	227.93	253.07	252.49	0.2	2.93	290.32	262.26	225.28	251.80	251.94	320.65	268.97	291.57
World Ex. US (1824)	180.57	-0.4	163.20	141.69	157.32	152.41	0.1	2.10	181.26	163.76	140.57	157.23	152.33	193.47	179.10	185.81
World Ex. UK (2266)	215.84	0.2	194.80	169.12	187.78	191.47	0.5	1.88	215.01	194.23	166.84	186.48	190.50	228.59	199.58	208.83
World Ex. Japan (1992)	276.00	0.7	249.45	216.57	240.46	265.34	0.8	2.31	274.13	247.63	212.71	237.76	263.34	292.72	235.10	242.39
The World Index (2477)	220.83	0.3	199.58	173.28	192.39	198.88	0.5	2.06	220.25	198.96	170.91	191.03	195.89	233.38	202.32	210.98

Latest prices were unavailable for this edition.